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VOLUME XVII NUMBER 1

The SOUTHERN ECONOMIC JOURNAL

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POPULATION GROWTH AND THE RATE OF INVESTMENT

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I

Arguments concerning some phase or phases of the problems of overpopulation, underpopulation, optimum population, "race suicide," and the declining rate of population growth are to be found in some measure in almost all the literature of economics since at least the years of Adam Smith. Smith was interested in population increase and division of labor, the opening up of new markets, and the prospects for economic progress.[1] The literature on the subject continues down through Malthus,[2] Ricardo, Mill, Marx, Keynes, Myrdal, and Hansen. Most recently, two books[3] have been published which have alarmed a few educators and many laymen with the spectre of overpopulation and the impairment of our natural resources.

Among professional economists, the names of Keynes, Hansen, and Myrdal probably carry more authority. Keynes, of course, did not systematically develop a theory of stagnation, but he did succeed in arousing the further interest of Myrdal and Hansen regarding the population problem. It is with these last two gentlemen that our analysis begins. For Mr. Myrdal, new investment demand is very closely allied with population growth. He writes:

> . . . the expansionist capitalistic system of private enterprise had as one of its prerequisites a progressive population. A declining population will increase investment risks all around and, even apart from that, will lessen the demand for new investment.[4]

Professor Hansen is the most articulate of all in the matter of population and investment. In his 1938 presidential address to the American Economic Association, he said:

> . . . the constituent elements of economic progress are (a) inventions, (b) the discovery and development of new territory and new resources, and (c) the growth of population.

[1] Adam Smith looked upon growth of population as both a consequence and a cause of economic progress because of division of labor.

[2] Malthus related population to demand theory and overproduction. For a review of Malthus' "glut" theory that goods are not always exchanged for goods, but frequently are exchanged for labor, and that goods are objects of human consumption owing their whole character to human wants and are therefore not merely to be treated as mathematical symbols, see J. Bonar, *Malthus and His Work*, pp. 282–302.

[3] F. Osborn, *Our Plundered Planet*; and W. Vogt, *Road to Survival*.

[4] G. Myrdal, *Population, A Problem For Democracy*, p. 164.

Each of these in turn, severally and in combination, has opened investment outlets and caused a rapid growth of capital formation.[5]

Continuing, he observed that

... the approaching cessation of population growth and the disappearance of new territory for settlement and exploitation may cut off a half or more of the investment outlets which we were wont to make in the past.[6]

Or,

... as a first approximation we may say that the growth of population in the last half of the nineteenth century was responsible for ... about sixty per cent of the capital formation in the United States.[7]

An earlier, and perhaps more familiar, dictum of Professor Hansen appeared in 1938; it reads:

A society which saves ... can escape a progressive fall in income and employment only through the continuous development of new investment outlets, such as are created by technological progress, the rise of new industries, the discovery of new resources, the opening up of new territory, and the *growth of population*. [Italics mine.][8]

Replies and rebuttals to the stagnationist dicta were not long in coming. Professor Ellis disagreed with Professor Hansen, arguing that if a society

... can successfully cope with institutional obstacles; new investment outlets exist in adequate volume in known but unexploited techniques without the necessity of the various creations [in Professor Hansen's list].[9]

Dr. Ellis actually attacks the theory of created outlets (technological progress, new industries, new resources, and new territory) and asks whether "... we propose to cure unemployment by encouraging the birth rate."[10]

Professor B. M. Anderson replied that a more slowly growing population would affect investment only in the sense that "... any violent shift in the economic situation creates for a time the problem of adaptation."[11] The adaptation would be necessary, for example, to compensate for a larger old age segment of the population. The structure of demand for consumer goods would be altered. Proportionately more wheel chairs and proportionately fewer rattles would be demanded;

[5] A. H. Hansen, "Economic Progress and Declining Population Growth," *American Economic Review*, Pt. 1, March 1939, p. 3.

[6] *Op. cit.*, p. 11.

[7] *Ibid.*, p. 8. For two articles resulting from this speech, see H. L. Reed, "Economists on Industrial Stagnation," *Journal of Political Economy*, April 1940, pp. 244–250; and A. H. Hansen, "Extensive Expansion and Population Growth," *Journal of Political Economy*, August 1940, pp. 583–585.

[8] A. H. Hansen, *Full Recovery or Stagnation?*, p. 296.

[9] H. S. Ellis, "Monetary Policy and Investment," *American Economic Review*, Pt. 2, Supplement, March 1940, p. 37.

[10] *Ibid.*, p. 37.

[11] B. M. Anderson, "Governmental Economic Planning," *American Economic Review*, Pt. 2, Supplement, March 1940, p. 249.

relatively more radios and fewer cribs. Herein lies the nature of the adaptation which would be required.[12]

II

The concept of population as contracting, expanding, or stationary, as carried over into concepts of production and investment, tends to apply a bias or fit which may not be justified. The relative fluctuations in population data[13] should perhaps not be too literally correlated with alterations in the economic components which characterize our national level of well-being.[14] A correlation of recent trends of population growth and production would lead some analysts to the conclusion that stagnation of a permanent nature is with us and that the only solution is to find adequate "offsets" to counterbalance the diminishing importance of population growth as an outlet for savings.

However, even Marx would not agree that stagnation or maturity is permanent. Marx's theory of the falling rate of profit tells us, writes Klein, that

> Capital accumulation implies a rising organic composition of capital and, hence, a falling rate of profit . . . It was the capital accumulation of the twenties [resulting from a good and persistent profit outlook in automobiles, housing, utilities, etc.] which led to the fall in the rate of profit and the consequent stagnation of the thirties. The theory does not say that the stagnation or maturity is permanent . . . However, the theory indicates specifically that . . . capital expansion will not continue indefinitely. Once a large stock of capital has been accumulated . . . the mature-economy doctrine should predict another stagnant period of a decade or more.[15]

This interpretation is at least more optimistic than some of the more popular current dogmas which are singularly depressive when thought is taken of events since 1940. Observers have of course been watching population trends and social progress for many decades, but at no time has the literature published by authorities like Dr. Hansen been more pessimistic than now.[16] It seems to stem in

[12] More will be said of this later.

[13] It is not gratuitous to assume a concept of a "pulsating" population which expands and contracts with changes in religious beliefs, political institutions, teleological factors, and the various socio-economic institutions of society. The downward trend of current population growth might well be a temporary phenomenon. The short-run movement of a variable like population could well last for several generations and indicate a declining tendency, only to reveal in the long-run a reversal which would present a pulsatory pattern for the entire period. There is little reason to believe that future societal structures would make such a pattern impossible.

[14] An early study revealing a correlation between population growth and production was made by A. Lösch, "Population Cycles as a Cause of Business Cycles," *Quarterly Journal of Economics*, August 1937, pp. 649–662. An authoritative study of methods and results of measuring population growth has been the contribution of R. R. Kuczynski, *The Measurement of Population Growth*.

[15] L. R. Klein, "Theories of Effective Demand," *Journal of Political Economy*, April 1947, pp. 127–128.

[16] For selected essays on the population problem before the stagnation argument became popular, see J. A. Field, *Essays on Population*. For early discussion of the problems of a declining birthrate and social progress, see E. M. East, *Mankind at the Crossroads*,

part from a fear that sometime in the "fifties" we will experience another secondary post-war depression which will be explainable in the stagnationist terminology of the thirties.

Even the idea of an optimum population has been shunted aside for the most part by all except a minority of our population theorists.[17] Professor J. J. Spengler still gives attention to the proposition in his trenchant writings on the issues of human numbers, but he is not followed by very many of the other economists in this matter.[18] Optimum population is implicit in the writings of men like Dr. Hansen who nonetheless devote most of their energies to an explanation of the mutual interdependence of territorial expansion, technological expansion, and expansion of the population. Professor Hansen does not always argue that population must continue to grow unless the economy is to encounter grave difficulties. He has postulated that "... it can scarcely be questioned that a continued growth of population at the rate experienced in the nineteenth century would rapidly present insoluble problems."[19] If both overpopulation and underpopulation are possible, what is the middle ground? Is it a stationary population, or an optimum population?[20]

H. D. Henderson, while noting that a declining population in absolute terms entails disadvantages which outweigh the advantages, tells us that

> ... a slowly growing or *stationary* [italics mine] population is, on balance, more favorable than a rapidly growing population to the economic welfare of society. From the economic standpoint,[21] therefore, we have reason to welcome the fall of the birth rate down to the point at which it is compatible with a stationary population.[22]

Chapters IX and X, pp. 252–317; E. A. Ross, *Standing Room Only?*, Chapter XV, pp. 177–183; and H. Cox, *The Problem of Population*, Chapter IV, pp. 111–146.

[17] A discussion of the theory of optimum population and the problems connected with such an optimum has been worked out by M. Gottlieb, "The Theory of Optimum Population for a Closed Economy," *Journal of Political Economy*, December 1945, pp. 289–316.

[18] A long and splendid article on population doctrines as developed in the United States by those authors who labored under misconceptions regarding the theories of Malthus and Ricardo, versus those authors who understood Malthusianism, is another contribution of Professor Spengler. Cf. J. J. Spengler, "Population Doctrines in the United States," *Journal of Political Economy*, August 1933, pp. 433–467; and *op. cit.* October 1933, pp. 639–672.

[19] A. H. Hansen, "Economic Progress and Declining Population Growth," *American Economic Review*, March 1939, p. 2. Some authorities think much of the growth to the present has been wasteful and discouraging, e.g. J. R. Hicks, *Value and Capital* (2nd ed.), p. 302, n. 1.

[20] Dr. Hansen has further enhanced the dilemma by asserting that "... the difficulty of determining definitely whether a society is actually economically underpopulated would always make possible a difference of opinion as to the policy that would be genuinely desirable socially." Cf. A. H. Hansen, *Economic Stabilization in an Unbalanced World*, p. 224.

[21] Also, from the *social* standpoint in England, say Glass and Blacker, "When we survey the picture of social life in England today, we are impressed with the number and the excellence of the reasons why married couples should have few children." See D. V. Glass and C. P. Blacker, *Population and Fertility*, p. 101. This is not simply confined to England. For example, consult the survey of international opinion on claims for relief from population pressure by F. C. Wright, *Population and Peace*; and population studies of East Asia

Somewhat opposed to this view is the attitude of Professor Spengler in 1938 when he thought it improbable that a free enterprise economy could solve the problems of a declining population unless perhaps redistribution of income, and fertility at a replacement level could provide an adequate offset.[23] This comment was made at a time when the population problem was foremost in the minds of those persons who were wrestling with the task of integrating Keynes' analysis into a societal structure which had recently revealed a striking tendency to stagnate, or at least to "run down" for a time. The decade since that time has provided us with the opportunity to scrutinize more carefully the implications of the "shortage of investment outlets" proposition.

By taking a somewhat more comprehensive view of the social milieu, Professor Spengler has recently concluded:

> Given present technological prospects, together with the current world income and resource situation, a speedy cessation of world population growth appears to be essential to the gradual alleviation and removal of widespread poverty. Social and economic programs which fail to take this condition into account are almost certainly doomed to fail . . .[24]

Thus, for some theorists, a re-examination and re-appraisal of the population factor has led to modifications of past tenets. Moreover, these modifications are not always in the same direction inasmuch as Professor Hansen has moved away from a rather optimistic position as of 1932 to a decidedly anxious state of mind in the present.[25] In other words, the same set of socio-politico-economic factors has produced varying mental patterns among those scholars who have witnessed human "progress" since 1930, and, furthermore, the areas of disagreement are just as boundless today as they were then except for the rather singular fact that the protagonists to some extent have been re-shuffled.

III

Despite the fact that a pulsating population in terms of numbers is a theoretical possibility, let us examine more closely the evidence bearing on growth of population and its effect upon consumption[26] and investment in the short-run when the

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by G. F. Shirras, "The Population Problem in India," *Economic Journal*, March 1933, pp. 56–73; J. B. Condliffe, "The Pressure of Population in the Far East," *Economic Journal*, March 1932, pp. 196–210.

[22] H. D. Henderson, "Economic Consequences," *The Population Problem*, p. 104.

[23] J. J. Spengler, "Population Movements, Employment, and Income," *Southern Economic Journal*, October 1938, p. 157.

[24] J. J. Spengler, "Aspects of the Economics of Population Growth—Part II," *Southern Economic Journal*, January 1948, p. 265. A worthwhile article on population growth and cultural, rather than economic and biological, phenomena has been written by E. T. Hiller, "A Culture Theory of Population," *Journal of Political Economy*, October 1930, pp. 523–550. For a summary of the social and economic implications of a declining population, see D. V. Glass, *Population, Policies and Movements in Europe*, pp. 363–373.

[25] An example of Hansen's earlier position is presented later.

[26] For the age distribution of consuming units, consult W. S. Thompson and P. K. Whelpton, *Population Trends in the United States*.

rate of growth is decreasing. A preliminary observation might be made to the effect that population growth would tend to stimulate production and investment if such growth increased the average and/or marginal propensity to consume. To one authority, thinking in over-all terms, can be attributed the remark that the evidence does not indicate any stimulating effect of population growth on production.[27] Furthermore, after pointing out that the evidence reveals a higher marginal propensity to consume among "old stock" population than the average propensity to consume of additional consuming units, Professor Fellner adds:

> This surely contradicts the thesis that population growth, in general, tends to raise the marginal propensity to consume. This assumption is contradicted also by the circumstance that the consumption function for the aggregate population tends toward linearity with minor oscillations that seem to be unrelated to changes in population growth.[28]

It is worth remarking that past periods of population growth, while revealing a total increase in consumption expenditure, also show a marked increase in per capita consumption—in fact a large fraction of the total increase in consumption can be so explained.[29]

Kuznets' statistics reveal a negative relationship between the amount of investment and percentage growth of population,[30] but Professor Fellner's conclusion is that ". . . it is impossible to verify or refute statistically a hypothesis that would postulate a significant relationship between the two [population growth and investment],"[31] and that previous experience does not substantiate the causal nexus between the simultaneous decline in population growth and investment in the thirties.[32]

The most one of the early authors would concede on this relation of population growth, investment, and wealth is that growing populations facilitated the development of the means of transport and made mass production feasible.[33] He then admits to the impossibility of determining with any precision the effect of an increasing population on the progress of civilization and the accumulation of wealth. For him the most sweeping economies to be derived from increasing numbers had already been attained in industrialized Europe and the United States, and the concomitant increase in wealth and population before World War I did

[27] W. Fellner, *Monetary Policies and Full Employment*, p. 55. This conclusion is in accord with Mr. Terborgh's who summarizes his position by noting that ". . . there is no evidence that countries with high rates of population growth have had in general any more rapid rise in their per capita production than others with slow population growth." Cf. G. Terborgh, *The Bogey of Economic Maturity*, p. 40. Moreover, ". . . it is evident . . . that fluctuations in the rate of advance in per capita production must be due largely or wholly to factors other than changes in population growth." *Ibid.*, p. 43.

[28] *Ibid.*, p. 59.

[29] *Op. cit.*, p. 70.

[30] *Ibid.*, p. 70.

[31] *Ibid.*, p. 70.

[32] *Ibid.*, pp. 72–73.

[33] H. Wright, *Population*, p. 69.

not preclude the possibility of a still faster increase in per capita wealth if only the population had not grown so rapidly.[34] His final statement reads:

> From the economic point of view, at all events, there seems no reason to bemoan the slowing down of the rate of growth of the population of the Western World which has alarmed some English bishops and French patriots in recent years.[35]

In much this manner the literature on economic maturity builds up each year and the residues and overtones of past decades still linger on.[36] Much of it is of course necessary in order to stimulate thinking on economic problems of this nature which so well characterize the degree of indeterminateness to be found in economic science even though we have the money measure!

IV

The older theory of investment postulated that *intensive* investment and *extensive* investment were incompatible in the sense that investment of savings in capital "widening" would take place at the expense of proposed capital "deepening" projects. Professor Hansen's group, wrestling with the spectre of stagnation, believe both forms of investment to be necessary for the absorption of the current level of savings.[37] Nonetheless, the "younger" Hansen was not so concerned with population growth as one of the three channels of investment open for the dissipation of savings. More precisely, he was not at all alarmed at the prospect of a stationary population. In 1932 he opined:

> . . . a stationary society will produce relatively more consumer goods and less producer goods than will a growing society . . . [and] if we may assume that a stationary population will not enjoy any more rapid discoveries of new products, it is reasonable to suppose that it will have reached sufficiently near the saturation point with respect to many material goods so that the demand for these commodities will have become relatively inelastic. The business man is likely to bemoan this as an evil, but this is only because he is accustomed to think of production purely in terms of material goods.[38]

Dr. Hansen offers as an alternative the production of personal services—the term personal services being used in its broadest sense to include all spiritual wants.[39] The stationary population, as he envisions it, will achieve a relatively higher standard of living, and will have the added advantage that the workers

[34] *Op. cit.*, pp. 69–70.

[35] *Ibid.*, pp. 69–70. The most extraordinary feature of this book is that J. M. Keynes wrote a glowing preface to the work.

[36] The issues of whether economic maturity actually exists and whether or not it is important have been dealt with by W. I. King, "Are We Suffering from Economic Maturity?," *Journal of Political Economy*, October 1939, pp. 609–622; and G. Colm, "Comments on W. I. King: 'Are We Suffering from Economic Maturity?,' " *Journal of Political Economy*, February 1940, pp. 114–118.

[37] This is treated by Terborgh, *op. cit.*, p. 45.

[38] A. H. Hansen, *Economic Stabilization in an Unbalanced World*, p. 232.

[39] *Op. cit.*, p. 232.

will be burdened by a smaller number of dependent children.[40] The increased tendency to save for old age via insurance, endowments, and pensions will be offset by the heavier burden of taxes and additional social responsibilities of the wealthy.[41] The conclusion is:

> On balance there is likely to be less saving per capita rather than more. But fortunately there will also be less need for saving[42]. . . it will not be necessary to provide houses and capital equipment for a growing population.[43]

Now this statement concerning the amount of per capita saving forthcoming in a state with a stationary population is especially significant inasmuch as Dr. Hansen has inspired others to write on the volume of saving to be expected in such a situation and the results have partially supported this earlier a priori formulation. After analyzing the 1871–1911 period in France, Mr. Goldenberg decided that France saved a smaller share of her national income than Great Britain or Germany. Nevertheless, a capital abundance still existed, and over one-half of this capital was forced to seek employment abroad.[44] Yet in 1940 Professor Hansen spoke of statistics which indicated that small families save more than large, and that the relatively higher standard of living which couples with few or no children would enjoy could not entirely offset that part of income which larger families would spend to maintain a more moderate standard of living for their extra children.[45]

Habits of consumption display such variable patterns that an evaluation of the last statement is inordinately difficult. The determining factors of capacity to consume have been enumerated as wants, goods and services available, time and energy, and purchasing power.[46] The inclusion of time and energy in the enumeration supplies us with a factor which must certainly provide some appreciable offset to the expected savings of the smaller family. Historically, most saving has been done by the higher imcome families which also are the particular families which do not reproduce their numbers. These particular families have reproduced in this manner for several decades—the occurrence is not unfamiliar.[47] Nonetheless, the population factor has not been overworked until recently.

[40] *Ibid.*, p. 233.

[41] *Ibid.*, pp. 233–234.

[42] This doesn't sound like the Alvin Hansen of today. In this passage he seems almost relieved that we would have enough saving to satisfy a meager minimum of capital replacement and extension.

[43] *Op. cit.*, p. 234.

[44] L. Goldenberg, "Savings in a State with a Stationary Population," *Quarterly Journal of Economics*, November 1946, pp. 40–63. For a criticism of this article, see H. W. Arndt, "Savings in a State with a Stationary Population: Comment," *Quarterly Journal of Economics*, August 1948, pp. 623–628.

[45] A. H. Hansen, "Extensive Expansion and Population Growth," *Journal of Political Economy*, August 1940, p. 583, n. 1.

[46] A. Cornish, "Capacity to Consume," *American Economic Review*, June 1936, p. 292.

[47] Moreover, the income differential which bestows such status as these families might enjoy is not transient. Professor Copeland has expressed it in more precise terms: "Various factors [relation between income inequality and inequality of investments owned, nepotism, superior education of children of opulent] tend to make income inequality persist

The sharp decline in the rate of population growth in the thirties brought with it a significant amount of protest, yet the depression itself was probably more cause than effect in this matter of cessation. Young wives tended to work at income-bearing tasks rather than at the tasks of childbearing. Emigration became more important numerically than immigration. Many marriages were postponed until economic difficulties could be resolved. This behavior pattern is not uncommon; long ago "Pareto concluded . . . that the 'economic factor exercises a very considerable influence' upon numbers, and that in a given society population movements vary with economic movements."[48]

Reversing the causal nexus, however, has recently become a popular notion because of the ease with which such a formulation can be integrated with the savings-investment schema.[49] The traditional model of the interest rate, prospective profit, and investment[50] has been embellished with the population growth element. Dr. Hansen admits he is ". . . increasingly impressed with the analysis made by Wicksell who stressed the prospective rate of profit on new investment as the active, dominant, and controlling factor, and who viewed the rate of interest as a passive factor, lagging behind the profit rate,"[51] yet Professor Hansen can deal with prospective profit on new investment as though it were significantly dependent upon population growth.

Population increase is all very well, especially if considered from the vantage point of a particular religious or political bias, but conditions must be exacted. Will not our economic problems tend to multiply? Do we propose to solve the problem of unemployment by encouraging an increase in the rate of population growth?[52] One would imagine that if newcomers to the population would provide investment outlets, so should the seemingly superfluous members of the labor force who are unemployed.[53] The answer surely cannot be found by examining

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once it has been established. . . ." Cf. M. A. Copeland, "The Social and Economic Determinants of the Distribution of Income in the United States," *American Economic Review*, March 1947, pp. 74–75. With regard to urban incomes, he observes: "Urban communities appear to differ in price structure in such a way that income inequality increases as the size of the community increases." *Ibid.*, p. 74. As to the effect on national output, he concludes: "We cannot say that altering the existing pattern of income distribution would necessarily have an adverse effect on national output." *Ibid.*, p. 75.

[48] J. J. Spengler, "Pareto on Population," *Quarterly Journal of Economics*, Aug. 1944, p. 578.

[49] An incisive article on population growth and investment has been contributed by S. C. Tsiang, "The Effect of Population Growth on the General Level of Employment and Activity," *Economica*, November 1942, pp. 325–332.

[50] For a discussion of the interest rate and investment, see F. H. Knight, "Some Issues in the Economics of Stationary States," *American Economic Review*, September 1936, pp. 393–411.

[51] A. H. Hansen, "Economic Progress and Declining Population Growth," *American Economic Review*, March 1939, p. 5.

[52] Cf. Ellis, "Monetary Policy and Investment," p. 37; and A. R. Sweezy speaking at "Round Table on Population Problems," *American Economic Review*, Pt. 2, Supplement, March 1940, p. 397. Dr. Sweezy then goes on to answer partly the question. This entire round table discussion is worth reading: *ibid.*, pp. 383–398.

[53] A degree of labor superfluity will probably always exist because of technological un-

the purchasing power of the two groups. Newcomers don't have any purchasing power except that which they receive indirectly from parents or guardians. The unemployed suffer from a paucity of purchasing power, but their needs are not thereby lessened. Nor does one untie this Gordian knot by bringing in time period analysis. As the newcomers mature, most of them *become* both producers and consumers. But this producer-consumer coexistence is also the status of the unemployed. Perhaps the difference is that the newcomers receive a better education and training for productive labor. How so, when most of the newcomers are born into lower-income families? To be sure, a gradual improvement is occurring in this matter, but not of the magnitude necessary to serve as a satisfactory explanation.

Newcomers do not really demand any appreciable investment outlay until they are mature enough to serve also as producers.[54] Their consumption of food, clothing, and miscellaneous items does react to some extent on higher order goods simply because such demands are a part of the composite demand for consumers' goods, which in turn affects the level of activity in the market for investment goods. These induced changes, however, result from the composite demand—the newcomers are responsible for so minor a portion of the composite[55] that no amount of imputation could ever produce the slogan: "the babies call the tune."

Admitting some effect of newcomers on the level of investment,[56] do we always need a few more potential workers to keep the mature workers employed? Are we just one step ahead of stagnation? This position would involve our economy in sort of a Charybdis and Scylla drama. A stationary or slowly growing population would mean secular stagnation, and a rapidly growing population would present "insoluble problems."[57] Certainly the future of capitalistic progress is more secure than this thesis would indicate.

The rate of investment is dependent upon the relationship between the in-

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employment. As Neisser has written: "There is no mechanism within the framework of rational economic analysis that, in any situation, would secure the full absorption of displaced workers and render 'permanent' technological unemployment in any sense impossible." Cf. H. P. Neisser, "Permanent Technological Unemployment," *American Economic Review*, March 1942, p. 71.

[54] The principal exceptions would be their demand for schools and hospitals. Comments on other effects of population growth and investment may be found in M. M. Rosen, "Population Growth, Investment, and Economic Recovery," *American Economic Review*, March 1942, pp. 122–125; and C. O. Hardy, "Fiscal Policy and the National Income: A Review," *ibid.*, pp. 106–108.

[55] Actually, in the majority of families the first baby would exert the largest amount of influence on consumption and investment, inasmuch as parents tend to "overbuy" for the first one, and because items like the nursery, highchair, crib, and clothes are handed down to the next in line.

[56] The effect is on the increment of investment which in turn reacts on income. As Domar puts it: ". . . an increase in income is not a function of the amount of investment; it is a function of the increment of investment." Cf. E. V. Domar, "Expansion and Employment," *American Economic Review*, March 1947, p. 47.

[57] Hansen, *loc. cit.* He referred to nineteenth century growth.

terest rate and the anticipated earnings to be derived from a specific allocation of funds.[58] The old profit-prospect theory of Lescure and, later, Wesley Mitchell considered this "expected earnings" proposition to be most germane. Analysis could then be directed to those variables which altered the prospect for profit. The growth of monopoly would constitute a variable of this nature.[59] Absence of supply and demand rigidities would make possible a positively sloped trend of economic progress. Contemporary theory has amplified the older postulates; C. R. Noyes concludes that the growth of business and the standard of living at a rate equal to that prevailing during the period 1919–1930 might only be achieved by involuntary saving, changing the income tax structure, diverting the savings of small savers into new equity capital for business through governmental intervention, or a radical alteration in customary practice.[60]

The control of savings appears to be basic to the argument. However, a stationary population would tend to save less in any case inasmuch as the working population would constitute a relatively smaller portion of the aggregate population. The greater demand for personal services by the older segment of the population would require less investment, but the concomitant increase in the propensity to consume is equally satisfactory as an explanation of how savings and investment can be equilibrated at a high level of employment. Also, entrepreneurial expectations would tend to be more stable in the instance of a stationary population since a zero net increase in population would mean that errors in calculating future demand would tend to decrease because of the one less variable to be considered.

Errors would continue in appreciable number, however, because mistakes can be made in capital deepening projects as well as in capital widening. Qualitative improvements in both consumers' and producers' goods would be more important than quantitative duplication. John Bates Clark stressed the qualitative aspects of investment more than sixty years ago, yet this type of investment would also be of primary importance in offsetting the somewhat smaller volume of savings forthcoming from the stationary population of the future.

Admittedly, the rapid growing population of the past has facilitated the development of mass production methods and techniques. A large population is necessary as a market for the products of capitalistic industry. Capital widening has occurred on a vast scale. Nonetheless, some capital widening would occur in satisfying the demands of a stationary population. Two and three car families would become more prevalent as incomes shifted from meeting the expenses of parent-

[58] This general statement is complicated by the fact that some investments are made without strict regard for the element of pecuniary gain (e.g., a wealthy person purchases a new library for a university).

[59] Recently, Mr. Abramovitz has declared that strong arguments support ". . . the notion that the destruction of monopoly controls will make for a higher rate of new investment, both immediately and in the long run." Cf. M. Abramovitz, "Savings and Investment: Profits *vs.* Prosperity?," *American Economic Review*, Supplement, June 1942, p. 85.

[60] C. R. Noyes, "The Prospect for Economic Growth," *American Economic Review*, March 1947, pp. 31–33.

hood to meeting the demands of a higher material standard of living. More young couples would purchase a home of their own—more old couples would acquire their own house to serve as an insulator against the outside world. Furthermore, the shift from a young to a relatively more mature population would tend to entail a larger volume of investment simply because the adults' demands, besides being quantitatively greater, are more sophisticated and expensive to satisfy. In general, golf courses, bowling greens, opera houses, and symphony orchestras would provide investment outlets for a relatively older population enjoying a rising real income which would perhaps more than offset the decreased investment in day nurseries, play pens, and harmonicas, especially since numerous assets like parks, hospitals, and playgrounds are necessary for oldsters as well as for youngsters.[61]

Returning to the question of short and long-run population growth, one must acknowledge that some sort of compromise is essential. If it be assumed that a progressive rate of increase in population growth is necessary to serve as an investment outlet,[62] the short-run effect is desirable; yet the long-run result will be that our numbers will far exceed the optimum. Many countries have already reached such a stage of overpopulation. Certainly Germany, Italy, Japan, and England are striving to maintain populations which have gone beyond any standard or optimum. If these populations, which at one time were rapidly expanding, were responsible for the largest percentage of historical capital formation, the price has been enormous and it is daily growing larger.

It is entirely possible that capital formation, both in these foreign countries and in the United States, could have been similarly great in the absence of such astonishing increases in human numbers. The flow of savings into investment channels destined to satisfy an enlarging population does not alter the possibility that these savings would have flowed elsewhere in the absence of such growth. Savings have tended to gravitate toward the most remunerative undertakings —namely, those projects dependent upon a numerical increase of inhabitants. The savings could have been used for qualitative improvements and a higher standard of living, but were in large part diverted away from these outlets by the still more enticing profit-prospects which existed in the latter half of the nineteenth century.

During this same period, rate of increase in our population growth was decreasing just as it is today, but investment continued at a high level. It was not until the thirties that declining growth rates were causally connected with economic depression. Today the arguments for stagnation are more formalized and more widely disseminated. Yet they fail to emphasize what the alternatives could be. For example, consider the position of the investor in 1870 with his position in the present. Savings freely flowed into investments in 1870 because barriers to capital formation were not as prevalent as they are now. There were no

[61] Cf. Anderson, *loc. cit.*

[62] War would appear to be just as large an outlet. Is it omitted simply because it is not "acceptable" as an investment outlet?

complicated registration certificates, prospecti, margin requirements, and stringent federal regulations enforced by administrative commissions. Both the buying and selling of securities were unfettered. For the most part, this state of affairs continued until the thirties. Today the barriers to capital formation are so formidable that the institutional structure of our security markets is undergoing a remarkable transformation. Stock and bond salesmen are principally members of the older generation—young men are not now attracted to the security business as they were in the twenties. Investment bankers are being shunted aside in many instances where a direct placement of securities is made via insurance company purchases, for example, in order to avoid a share of the federal regulations pertaining to security issuance. Security markets are "thinner," and no longer are they as accurate as they once were in reflecting the underlying values in our shifting economic structure. The result has been disagreeable to most of the parties concerned. Only recently a nation-wide good will and information campaign has been utilized by the security exchanges in an endeavor to channel the vast savings of the past decade into investment.

The process of saving has not changed appreciably in the past eighty years, but the problems of investment have. In addition to the federal regulations governing the issuance and trading of securities, the potential investor must wrestle with fears engendered by two great wars, the most severe depression in our history, and the national and international struggle between the proponents of collectivism and individualism. The conservative economic and political bias which is characteristic of most investors has been simultaneously assaulted and reinforced by the political and economic forces which have been reconstructing the world since 1929. The economic climate in this country since that time has not impressed the typical capitalist with its wholesomeness. He has been fearful and, right or wrong from the "objective" viewpoint, he has not promoted capital formation on a scale commensurate with the past.[63] This state of affairs might well be transitory. It does not lead inevitably to secular stagnation. The investor could either reconcile himself to the realities of current economic life, or perhaps the realities themselves might be altered sufficiently to restore confidence in the mind of the conservative.[64]

[63] This was apparent in 1937 when such important representatives of private enterprise as Clarence Francis (President of General Foods Corporation), Henry Ford, Francis E. Frothingham (Investment Bankers Association of America), Alfred P. Sloan, the President of du Pont, Tom M. Girdler (Chairman of Republic Steel Corporation), and William S. Knudsen (President of General Motors Corporation) were condemning the federal government for its "undue interference" in the private sector and its creation of fear and uncertainty in the minds of private enterprisers and investors. In the main, these capitalists called for more private and less government activity, and predicted increasing private investment if the government would decrease its "interference." See *Commercial and Financial Chronicle*, Nov. 27, 1937, p. 3432; *ibid.*, Dec. 4, 1937, p. 3588; *ibid.*, p. 3593; *ibid.*, p. 3591; *ibid.*, Dec., 11, 1937, p. 3754; *ibid.*, Dec. 18, 1937, p. 3410; and *ibid.*, Jan. 8, 1938, p. 194. All this occurred despite the fact that short and long-term interest rates were down to levels comparable to those prevailing today.

[64] The latter possibility seems to me to be most unlikely.

V

In summary, one might aver that although population growth historically has provided broad investment opportunities for savings, a stationary population need not be the prelude to secular stagnation. Alternative investment outlets exist today and have existed for generations; population growth of the past simply created opportunities which were more lucrative at a particular time. Savings could just as easily have gravitated toward qualitative improvements and a furtherance of the standard of living of already existing numbers.

As for the future, a stationary population will not only demand these qualitative improvements and a higher standard of living, but in addition will provide offsets to oversaving. Smaller families will spend more on housing, cars, clothing, and miscellaneous goods in order to increase their standard of living, but at the same time they will be reducing the expected volume of saving forthcoming from a given level of income. More families will own their own homes, and the increasing percentage of mature and older population will demand goods requiring more investment. Moreover, they will not tend to save as great a proportion of their income, primarily because the economy will tend to be more stable, the future more certain, and the need for investment outlays less acute.[65]

Parenthetically, there appears to be little validity to the argument which concerns itself with increasing numbers as a device for keeping the mature population employed. Beyond the fact that even the stagnationists agree that the tribulations of overpopulation are perhaps more severe than the trials of underpopulation, there seems to be no logical reason why we need still more people to keep the oldsters employed when one of the perplexing questions of capitalism is how to keep the existing population employed. Has our material progress of the past one hundred and fifty years merely been an economically serious, hybridized version of leapfrog and musical chairs? Surely our population has at least one more "good" place to go.

Our progress will be implemented, and our journey more pleasant if we remove part of the barriers to capital formation which in the future will, as they do now, impede the flow of savings into investment. We have noted the influence of monopoly and found it acting as an investment deterrent. Government intervention in, and control of, economic affairs, especially those in which the government appears to be encroaching upon private entrepreneurship, retard the movement of savings into investment because of the dampening effect exerted upon entrepreneurial psychology. Expectations are altered for the worse, and private projects are postponed while savings accumulate. Coupled with this, are the general supply and demand rigidities, often causally connected with the aforementioned barriers, which permeate the economic structure in its totality. Restrictive policies of both management and labor serve as examples of this last

[65] Keynes' point that saving and investing are done in the main by two different groups who are responding to different stimuli does not damage this statement. Both savers and investors are affected in this particular case, which the more general theory does not consider.

condition. Thus, the long-run aspirations of our citizenry for full employment and material progress cannot be reconciled or resolved satisfactorily with the motives of the all too plentiful variety of "profit-seeker"[66] who apparently is largely impelled to act by the command of a reasoning mechanism which oftentimes is ostensibly devoid of reason. The future of capitalistic progress will be determined principally by the proportionate success or failure we achieve in our attempt to unearth the common denominators requisite for a reconciliation and resolution.

[66] The term "profit-seeker" is used in the broad sense to include both employer and employee.

THE ARBITRATION PROCESS

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Unions and management have adopted arbitration on a wide scale in recent years. It is used, as an alternative to strikes and lockouts, to resolve disputes over the terms of contracts as well as over grievances. The purpose here is to analyze and evaluate this process. An understanding of arbitration, its function and limitations, is essential if it is to be effective. This paper, therefore, seeks to (1) define the terms commonly employed; (2) appraise conflicting concepts of the functions of the process; (3) consider mediation in arbitration; (4) evaluate the significance of precedents; (5) describe the part played by government; (6) establish the conditions for successful arbitration; and (7) set forth its limitations.

I

Arbitration involves outside intervention to aid or supplement collective bargaining in the settlement of disputes. It is distinguished from mediation by its decisive nature. Mediation assures no agreement; solutions, if achieved, result from decisions of the parties. Arbitration, on the other hand, requires the intervener to dictate the terms of a settlement which is binding on both sides. In this respect arbitration is not unlike, and is often referred to as, a judicial process. There are other elements, however, that cause it to be described as an extension of collective bargaining. Confusion with the terms "mediation" and "arbitration" stems in part from the loose terminology in the field of industrial relations and also from frequent merging of the functions in a single individual. Thus, in the garment industries impartial chairmen have traditionally acted both as mediators and arbitrators. The National Defense Mediation Board, furthermore, issued public recommendations when it could not obtain an agreement, Professor George W. Taylor suggesting this as "first cousin" to arbitration.[1] The two are, however, clearly distinguishable.

The process may be subdivided into two distinct species: grievance arbitration and contract arbitration. The former is created by labor and management themselves as the terminal point in their grievance procedure and is a continuing function. It involves disputes over the interpretation and application of their agreement, alleged violations of it, and in some relationships any controversy that arises. Hence grievance arbitration is a supplement to collective bargaining. Contract arbitration, on the other hand, is usually employed to meet a particular situation. The arbitrator decides the terms of the contract, serving as a substitute for bargaining. This may be in the case of a first agreement, of the renewal of an old one, or under a wage reopening clause. Either variety may be required

[1] *Government Regulation of Industrial Relations*, p. 103. William M. Leiserson, in remarking that there was no essential difference between this board and the National War Labor Board, made the shrewd if somewhat inaccurate observation that "one was a mediation board that arbitrated. The other is an arbitration board that mediates." *New York Times* Feb. 19, 1942.

by law, although compulsory arbitration in this country has, on the whole, been confined to special situations, such as industries clothed with a public interest or wartime.[2]

Contract arbitration has been practiced in America since 1865, developing afterwards with the growth of unionism and the search for means to avoid work stoppages. Grievance arbitration emerged later but has been more widely adopted. Professor Edwin E. Witte estimates that 70 per cent of agreements provide for the latter type.[3] Most industries practice grievance arbitration and an occasional contract case. A few, on the other hand, extensively employ contract arbitration, for example, street railways and some public utilities. There are also many instances where failure to arrive at agreement has been followed by the parties' decision to arbitrate to avoid strike action.

Terms designating the persons or person rendering awards sometimes, but not always, signify the nature of the proceeding.[4] While "arbitrator"—rarely "arbiter"—normally includes all categories, it sometimes, when preceded by "temporary" or "*ad hoc,*" indicates a person appointed to decide a particular dispute, or, when prefixed by "permanent," refers to a person assigned a continuing responsibility under a contract. Government-sponsored arbitration is usually under a "board," such as the National Railroad Adjustment Board. Some states as well—Connecticut, Massachusetts, New Hampshire, Maine, and Oklahoma—have permanent "arbitration boards" responsible for appointing arbitrators when requested by both the employer and the union. These agencies may or may not themselves serve as arbitrators. A third type of "arbitration board" is that established voluntarily by the parties, either for an establishment or an industry, and for grievance or contract disputes.

Permanent grievance arbitrators are frequently referred to as "umpires," in such industries as automobile manufacturing, rubber, and shipbuilding. The term "impartial chairman," in general use in the needle trades since 1910, does not refer to the chairman's position but describes his function, which is to preside over the agreement and its observance. This function frequently includes informal mediation.[5]

[2] A few states have experimented with general compulsory arbitration laws but such experiments have been made in nonindustrial states, such as Kansas, and experience has been limited.

[3] "In this country the first known instance of voluntary arbitration occurred in 1865 in a dispute involving the iron puddlers at Pittsburgh." Following the railroad strike of 1877 and throughout the rest of the century public interest in arbitration increased and 17 states passed laws establishing boards of arbitration. *The Future of Labor Arbitration—A Challenge* (First Annual Meeting of the National Academy of Arbitrators, Chicago, Jan. 16, 1948), pp. 4, 9.

[4] As expressed at a meeting of arbitrators, the variance with which parties view the process "is implicit in the range of titles conferred on the 'judge,'—'Mr. Commissioner,' 'Mr. Examiner,' 'Your Honor,' 'Doctor,' 'Professor,' 'Mister,' or 'Hey you!.' " *Report of Committee on Ethics* (National Academy of Arbitrators, Washington, Jan. 15, 1949). The titles peculiar to arbitration may also cause confusion, as in the instance when an error by Western Union caused a telegram to be delivered to an irate union official signed with the designation "Imperial Chairman" rather than "Impartial Chairman."

[5] William E. Simkin and Van Dusen Kennedy, *Arbitration of Grievances* (Division of Labor Standards, Bulletin No. 82, 1946), p. 5. See also Theodore W. Kheel, *How to Arbitrate*

"Referee" is sometimes used to designate a third party. This usually signifies an action by a court or other agency in referring a case to an individual to obtain a report on the basis of which the appointing agency can make a decision or the referee himself render an award. The National Railroad Adjustment Board designates the arbitrators that participate in its procedures by this title.

II

Arbitration, as noted above, contains within itself self-contradictory characteristics. Professor John T. Dunlop has observed:

> There are two cliches on the arbitration process. Each has a measure of validity but neither by itself is an adequate description of arbitration. These statements are: (a) arbitration is an extension of collective bargaining, and (b) arbitration is a judicial process. Each statement has an important measure of truth. . . .Voluntary arbitration as a judicial process could not long survive and yield substantially different results than the parties could bargain or force on the other side by economic power. Arbitration could not long endure, on the other hand, which simply mirrored current relative economic power without reference to the merits of the case as adjudicated by standards. . . .Arbitration is a flexible process which is necessarily shaped by the parties. The form of arbitration adopted by the parties will significantly determine the relative proportions of 'collective bargaining' and 'judicial process' in a particular case.[6]

Hence the agreement to arbitrate usually contains some understanding, implied or explicit, on whether the procedure shall resemble a court proceeding or extended negotiations.

In this analysis, however, one must guard against an unrealistic conception of the nature of the judicial process. Although courts are often assumed to determine right and wrong on the basis of facts in relation to clearly defined standards, judges, in fact, often render decisions in accordance with expediency or their personal view of justice. As Mr. Justice Holmes pointed out, "The very considerations which judges most rarely mention, and always with an apology, are the secret root from which the law draws all the juices of life. I mean, of course, considerations of what is expedient for the community concerned."[7] Judge Jerome N. Frank has carried this argument further:

> Our society would be strait-jacketed were not the courts, with the able assistance of the lawyers, constantly overhauling the law and adapting it to the realities of ever-changing social, industrial and political conditions; although changes cannot be made lightly, yet law must be more or less impermanent, experimental and therefore not nicely calculable. *Much of the uncertainty of law is not an unfortunate accident; it is of immense social value.* . . .
>
> *The judge, at his best, is an arbitrator*, a sound man who strives to do justice to the parties by exercising a wise discretion with reference to the peculiar circumstances of the case.[8]

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a Labor Dispute, pp. 9–11. "Impartial chairman" is used occasionally as the title for the public member of a tripartite board with narrower functions than in the needle trades. This is the case under the Chrysler contract with UAW, CIO.

[6] Twin City Rapid Transit Company and Amalgamated Association of Street, Electric Railway and Motor Coach Employees, 10 LA 589.

[7] *The Common Law*, in Max Lerner, ed.; *The Mind and Faith of Justice Holmes*, p. 540

[8] *Law and the Modern Mind* pp. 6–7, 157.

Hence one may conclude that the distinction between "judicial" and "collective bargaining" arbitration in result may be as much shadow as substance.

Persons using arbitration must first determine what they want from the process. Arbitration can be successful only if there is a meeting of minds at the outset on the principles under which the proceedings are conducted. It is often suggested that the contract or submission agreement is sufficient to bind the arbitrator in the way that the judge is bound by the law. The history of relations between the parties, the method of selecting the arbitrator, the type of procedure adopted,[9] and the appointment of a particular arbitrator, however, all have a bearing on the principles followed. Such mechanical devices as the keeping of a stenographic record, the swearing of witnesses, the use of legal rules of evidence, and the limiting of permissible argument also govern the proceedings and reveal the parties' concept of arbitration.

Grievance arbitration is essentially a means of obtaining an authoritative interpretation of the contract or of adjusting grievances during its life without resorting to work stoppages or court action. Even before the Taft-Hartley Act many state courts interpreted and enforced collectively bargained agreements.[10] The fact that this remedy was infrequently employed may have stemmed in part from unfamiliarity and the time-consuming nature of the process. More important, however, was "the complete unsuitability of orthodox legal procedures" which made both employers and unions reluctant to seek court relief.[11] The parties to labor contracts, unlike other contractors, "live together" after the judge has ruled. There is the risk that the victor in the proceeding may suffer greater loss through impairment of a harmonious relationship by the fact of having gone to court. Thus, arbitration has served as a substitute for litigation in the administration of labor contracts. It also assures continuous operations, disposing of grievances in an expeditious and equitable manner. This is particularly true in those industries where the system is well established.

Grievance arbitration often goes beyond the mere interpretation of contract language. Professor Harry Shulman has pointed out that the contract itself rarely anticipates "all possible future contingencies" and that "there is usually lacking even a common understanding as to the general effect of the agreement." The contract, drafted for acceptance by many people, may have a "purposeful

[9] Dunlop observed: "The choice of a single arbitrator also tends to promote the judicial features of arbitration. The choice of a three-man board, with the necessity of a majority vote to secure an award, tends relatively to emphasize the 'extension of collective bargaining' character of arbitration." *Op. cit.*, p. 589.

[10] The authors of the act, desiring to assure judicial relief, permitted suit in the district courts for breach of contract "without respect to the amount in controversy or. . . the citizenship of the parties." Sec. 301(a), Public Law 101, 80th Congress. There is no evidence that this provision has been invoked in many instances by representatives of either management or labor.

[11] Jesse Freidin, "The Public Interest in Labor Dispute Settlement," *Law and Contemporary Problems*, Spring 1947, pp. 379–80. See also Harry Shulman, "The Role of Arbitration in the Collective Bargaining Process," *Proceedings*, Conference on Collective Bargaining and Arbitration, Institute of Industrial Relations, University of California, 1949, p. 24.

vagueness which the parties embrace when they know that they cannot agree on more precise statement and prefer to take a chance on future application rather than break up in total disagreement." Grievance arbitration can be consciously directed by the parties, "not merely to the redress of past wrongs—but to the maintenance and improvement of the parties' present and future collaboration."[12]

Taylor refers to this as "the impartial chairman approach" to arbitration. His conviction is that "as collective bargaining matures and as cooperative relationships supplant 'arms length' dealings, organized labor and management will tend to choose the impartial chairman type of procedure." Under it the arbitrator is "expected to assist the parties in developing a mutually acceptable solution of an industrial relations problem."[13] In the final analysis, unless solutions are acceptable to both parties the time for a test of economic strength is merely postponed.

Arbitration has also served to avert strikes in several industries in contract disputes. Even in states without laws requiring arbitration in utilities, the parties have frequently accepted it to avoid an interruption. The Amalgamated Association of Street Railway Employees, the dominant union in the local transit industry, refuses to authorize a strike under most of its contracts unless the employer has rejected its proposal to arbitrate. Arbitration and the related function of fact-finding have proved generally successful in preventing strikes on the railroads. Even in industries with a less immediate effect on the public, arbitration has often replaced economic action, textiles and the garment trades being notable in this respect. Most mediators, after narrowing the issues, urge that remaining differences be submitted to final determination by a third party.[14]

In some disputes one of the arbitrator's functions is to permit one or both disputants to "save face."[15] Even if both discount the decision in advance, they may find it expedient for political reasons to have the arbitrator issue an order rather than reach a settlement themselves. This might occur, for example, in the case of a discharged employee. The employer might feel it necessary in principle to uphold a foreman's action in discharging; he could, however, accept the reverse decision of an arbitrator. Similarly, unions may find it politically impossible to agree that a worker is properly discharged even though the merits are clear.[16]

[12] *Ibid.*, pp. 21–22, 24.

[13] "Further Remarks on Grievance Arbitration," *Arbitration Journal*, IV, No. 2, pp. 94–95.

[14] Edgar L. Warren and Irving Bernstein, "The Mediation Process," *Southern Economic Journal*, April 1949, p. 445.

[15] Shulman has referred to this in the following manner: "Each side expressed surprise at the position taken by the other at the hearing and each states its belief that the submission was in large part a matter of face saving for the other. The inference is tempting that, while the parties disagree as to its identity, they were in accord that some face needed saving and that the Umpire's face was expendable for that purpose." *Opinions of the Umpire*, Ford Motor Co. and UAW, CIO, March 8, 1948, Case No. 5202.

[16] The "saving face" function, of course, extends as well to contract arbitration. Thomas Kennedy states that the impartial chairmanship in the hosiery industry "provided both parties with a 'whipping-boy' to whom they could shift some of the onus of adjustments

In such situations the arbitrator is expected to make unpopular decisions. Some authorities, unlike Shulman, feel it a misuse of arbitration for either party to submit a case that does not involve a bona fide dispute. Whatever the soundness of this opinion, the practice is common.

III

A controversial question is whether the arbitrator should attempt to reconcile differences rather than render an award based on a strict interpretation of the contract or submission agreement. Should he prior to hearing seek to perfect the submission agreement by discussion with the parties if he feels that it is deficient? Should the mechanics of the hearing encourage informality or the atmosphere of a court? Should the arbitrator be bound by the submission even if it leads to obviously impractical results? Where the contract is silent on the issue, should he search for a workable solution or one consistent with other terms of the contract? May he hold informal conferences with the parties to feel out the flexibility in their positions or refer the issue back for further negotiations? Should he be permitted to look outside of the formal record? May he discuss his decision with the parties separately before rendering the award?

Answers to these and similar questions reveal a general attitude towards arbitration. Since it involves both judicial and bargaining elements, the answers can be determined only in a particular context. In submitting a dispute and in establishing procedures, employer and union must decide upon the principles they wish to follow. This, in turn, determines the relative importance of the judicial as against the bargaining factors in the procedures they adopt. If the parties agree upon the approach, one may serve their purposes as effectively as the other.

The American Arbitration Association is the most influential exponent of strict construction. J. Noble Braden, its Tribunal Vice-President, has said, "The American Arbitration Association has from its inception been the strongest advocate of the development of arbitration in all fields—a judicial process. Its publications . . . present almost incontestable evidence for arbitration as a judicial process."[17] Senator Wayne Morse, himself an outstanding arbitrator, has stanchly advocated this viewpoint. "The arbitrator sits as a private judge,

necessitated by the general wage cuts, which both parties recognized as inevitable." *Effective Labor Arbitration*, p. 25.

[17] "Problems in Labor Arbitration," *Missouri Law Review*, April 1948, p. 149. The AAA "Code of Ethics," subtitled "Some Basic Principles of Right Conduct," provides: "The office is of a judicial nature, for the Arbitrator is chosen to determine the respective claims of the parties by making a just and final award. In the performance of his duties, the Arbitrator remains independent and impartial, acts within the powers bestowed upon him, is responsible for the conduct of the proceeding, offers a fair hearing and receives evidence—all acts of high judicial importance." The code goes on to say that the arbitrator should not "consider it any reflection upon his office" if during the course of the proceeding the parties arrive at a settlement of their differences. "His only responsibility is to avoid having any personal part in arranging a settlement, for he is a judge and not a compromiser." *Arbitration Journal*, Summer 1946, pp. 1–2.

called upon to determine the legal rights and economic interests of the parties, as those rights and interests are proved by the records made by the parties themselves. The principle of compromise has absolutely no place in arbitration hearings."[18]

A number of prominent arbitrators, lawyers and economists urge a more flexible view. Shulman, for example, takes this position:

> Unlike litigants in a court, the parties in a collective labor agreement must continue to live with each other both during the dispute and thereafter. While they are antagonists in some respects, they are also participants in a joint enterprise with mutual problems and interests. The smooth and successful operation of the enterprise is important to the welfare of both. . . An award which does not solve the problem and with which the parties must nevertheless live, may become an additional irritant rather than a cure.[19]

In a survey of arbitrators, most of them lawyers, Professor Lois MacDonald found that a majority looked with some concern on a strictly legal approach. She reported that "it is felt [by arbitrators] that in most instances lawyers are too legalistic in their thinking and tend to overlook the spirit of the agreement and the dynamics of labor relations."[20]

The judicial position is adapted to many controversies, particularly grievance cases in which the arbitrator serves on an *ad hoc* basis. It does not, however, cover all situations or encompass the realities of many disputes. The failing is evident in contract as well as in grievance arbitration. In the former, since there are no external standards aside from those imposed by the arbitrator, the parties must resolve the issue in preparing a submission, in determining the procedures, and in selecting an arbitrator. In grievance arbitration, by contrast, the contract and, in many instances, precedents established by previous awards under the same agreement limit his discretion. Even in such situations, however, there are often compelling reasons for the arbitrator to guide himself by bargaining realities. Professor W. Willard Wirtz, for example, urges

> making the contract perhaps only part of the background of the private administrative procedure rather than permitting it to be the exclusively controlling consideration. If the parties can find a mutually satisfactory basis for realizing a particular problem, it would be obviously unfortunate if anything in the contract should be considered a bar to settlement on that basis. . . .
>
> [The contract] approach is, or may be in a good many cases, a very serious mistake. It

[18] "The Scope of Arbitration in Labor Disputes," *Commonwealth Review*, March 1941, p. 6. See also Harold W. Davey, "Hazards in Labor Arbitration," *Industrial and Labor Relations Review*, April 1948, p. 393.

[19] *Opinions of the Umpire, op. cit.*, preface.

[20] "The Selection and Tenure of Arbitrators in Labor Disputes," *Proceedings*, New York University First Annual Conference on Labor, 1948, p. 180. See also Herman A. Gray, *ibid.*, p. 199; W. Willard Wirtz, "The Administration of Collective Bargaining Agreements," New York State School of Industrial and Labor Relations (No. 61, mimeo.), pp. 6, 12; Simkin and Kennedy, *op. cit.*, p. 13; Neil W. Chamberlain, "Collective Bargaining and the Concept of Contract," *Columbia Law Review*, Sept. 1948, p. 840.

means deciding a case in what is virtually a vacuum. It is not the way that the parties themselves would settle the problem if it could be done by negotiation and bargaining.[21]

In industries where the impartial chairman handles all differences he clearly has a responsibility going beyond the judicial. That this is the intent of the parties is shown by the history of the garment trades, particularly the famous "Protocol of Peace," in the formation and administration of which Mr. Justice Brandeis participated. It was signed by the Cloak, Suit and Shirt Manufacturers and the Ladies' Garment Workers on September 2, 1910. Article XVII reads:

In the event of any dispute arising between the manufacturers and the unions, or between any members of the manufacturers and any members of the unions, there shall be no strike or lockout concerning such matters in controversy until full opportunity shall have been given for the submission of such matters to said Board of Arbitration, and in the event of a determination of said controversies by said Board of Arbitration, only in the event of a failure to accede to the determination of said Board.[22]

This document laid the groundwork for industrial peace in the garment industry. As Donald B. Robinson has said, the needle trades "mothered the conception" of the impartial chairman.[23]

The essence of this arrangement is that the chairman "is to preside over the collective bargaining agreement and its observance by both parties."[24] This enables him to slip out of the robes of the judge into the garb of the mediator when advisable.[25] This works to the satisfaction of all concerned and both sides develop confidence in the arbitrator as well as in the procedure.

The full benefits of arbitration flow from such a broad-gauge conception, of which mediation is an integral element. A legalistic approach can only produce restricted results. As Taylor has said,

The view that an arbitrator should decide every case without any attempt at mediation has two essential defects. It embodies some part of the fatalistic idea that labor and management differences are irreconcilable. In the second place, the parties know more about their affairs than any outsider. If the arbitrator can be a catalytic agent to bring about a meeting of minds, the strengths of all parties will be best utilized.[26]

[21] *Loc. cit.*, pp. 6, 12.

[22] Julius Henry Cohen, *Law and Order in Industry*, p. 247.

[23] *Spotlight on a Union*, p. 234. While it was not until the 1940's that management and labor adapted these procedures to other industries, persons familiar with impartial chairmanship arrangements have long felt that their experience could be widely utilized. Isaac Siegmeister, for example, the chairman of the millinery industry, has said that "permanent impartial machinery will work in any field. I can't imagine any employer-employee relationship where an impartial chairman cannot serve a great purpose to the benefit of each side." *Ibid.*, p. 240.

[24] Simkin and Kennedy, *op. cit.*, p. 5.

[25] Kennedy reports: "In the full-fashioned hosiery industry, the Impartial Chairman has always acted as conciliator and mediator as well as arbitrator." He recalls that while this dual function has been criticized, Sidney and Beatrice Webb, after a study of labor arbitration in Great Britain, concluded that the success of the process was "far more due to these acts of conciliation than to any infallibility in . . . awards." *Op. cit.*, p. 57.

[26] *Government Regulation*, p. 137, n. 6.

One of the reasons for the objection to mediation arises from a misunderstanding of the process. Arbitrators are commended for "calling them as they see them" and excoriated for "splitting the difference." The view that mediation means adding the demands and dividing by two is, of course, unfounded. The arbitrator who advises the parties that a decision based on contract language alone may lead to an unexpected and impractical result is not "compromising." Similarly, suggestions to the parties that their arguments do not hold water or that they should work out a settlement may be less reprehensible than remaining aloof. To urge a solution is an act of mediation but to ignore it may be an act of negligence. Also, as Taylor has observed, "a mutually acceptable solution need not be a compromise solution or even a decision mutually agreed upon. The chairman may find it necessary to develop understanding of an adverse ruling to the extent of gaining an acquiescence in its soundness."[27] No matter how carefully a contract or a submission is drafted, unforeseen difficulties often develop. Here the arbitrator's ability to mediate is more important than his judicial competence.

The situation differs, however, in the case of temporary arbitrators. Unless the parties agree to the contrary, the *ad hoc* arbitrator is under pressure to follow the language of the contract, to base his award solely on the evidence presented, and to disregard pragmatic solutions. Union and management can thereby hedge against far-reaching effects of an arbitrator's bad judgment if he substitutes his own views for those they expressly agreed to in signing the contract. This represents one of the principal limitations of *ad hoc* arbitration. It is not adapted to those not infrequent situations where there is either conflict between two sections of the contract or it is silent. Even *ad hoc* arbitrators must at times explore adjustment. Taylor urges that "mediation in arbitration should not be dismissed as a possibility unless a contrary desire of one of the two parties to the dispute is explicitly expressed."[28]

No matter how compelling the logic of mediation, the arbitrator inevitably runs a risk in attempting it, namely, failure. Unsuccessful mediation complicates his ultimate responsibility of rendering a decision and takes time. He must tread warily, particularly to avoid commitments as to what he will decide if negotiations break down. Such commitments, and the parties usually seek to extract them, weaken his effectiveness and can prove embarrassing. If mediation is attempted, the arbitrator must be sure not to destroy his paramount function as arbitrator.

IV

A related question is the degree to which arbitrators should be restricted by prior decisions under the same or similar contracts. The arbitrator who mediates is less bound by precedent than one who does not. The significance of precedents, of course, must be related to the particular situation.

In the arbitration of grievances the presumption exists that the same question should receive the same answer. Since grievance cases, however, seldom

[27] *Further Remarks*, p. 95, n. 7.
[28] *Government Regulation*, p. 137, n. 6.

present identical facts, the parties often "shop around" to find a man whose decisions they like.[29] The arbitrator feels that inconsistency is an inevitable hazard if the parties fail to use a permanent umpire. As Saul Wallen has observed, "where a conflict in decisions results from a clear and supported conviction that the earlier decision does not reasonably resolve the issue, a given arbitrator need not abdicate to his predecessor that function of judgment for which he was engaged."[30] This is equally the case under a renewed contract in which the pertinent provision is unchanged.

The reverse situation prevails under a permanent umpire where a "common law" has developed. The parties then expect the arbitration machinery to produce a system of what Professor Sumner H. Slichter has called "industrial jurisprudence."[31] While this establishes principles so rigidly that equities are sometimes ignored, the benefits outweigh this defect. It not only saves time and cost but also brings stability into the relationship. The risk, however, is that precedent will become an end in itself. A labor representative has cautioned: "Labor and the world in general has made progress not because of precedent, but in spite of it."[32] In the hosiery experience Kennedy notes that "it is consistency of the spirit and the intent of decisions which should be maintained" as distinguished from "a narrow legalistic interpretation" of the word "consistency."[33]

Precedents in contract arbitration present greater difficulties. The question usually arises over wages, involving the extent to which the arbitrator should be bound by arbitration decisions or by negotiated agreements in related situations. Clearly, the safest procedure is for the parties to spell out in the submission the standards the arbitrator will apply. Where such limitations are absent, there is no compulsion on him to do other than use his best judgment. It is customary, of course, even in "open-end" arbitration for the arbitrator to guide himself by the factors considered in bargaining and to arrive at the decision the parties would have reached if they had agreed. In giving weight to such elements as wages in the industry, changes in the cost of living, adjustments in the area, and ability to pay, the arbitrator is aided when the parties determine their relative importance in advance. Decisions of other arbitrators may influence his

[29] This difficulty has been pointed to as one of the principal drawbacks of *ad hoc* arbitration. David A. Wolff, umpire in the Detroit area, has summarized this problem as follows: "Precedents which can be relied on are seldom established. Repeated attempts are often made by one or the other of the parties to nullify the effect of a particular award by reframing the issue involved and having it passed on at subsequent arbitrations by another or other arbitrators. . . . Further, the temptation to retry an issue with other arbitrators is always present." "An Advantageous Application of the Umpire System for Management and Labor Groups" (unpublished ms., 1947).

[30] General Electric Company and United Electrical, Radio, and Machine Workers, 9 LA 757.

[31] Kennedy, for example, reports that "in the hosiery industry the decisions of the Impartial Chairman, unless otherwise indicated, become precedents upon which future decisions will be based. . . . The Impartial Chairman is clearly and purposely engaged in the creation of a system of 'industrial jurisprudence.' " *Op. cit.*, p. 91.

[32] T. A. Johnstone, Director, General Motors Division, UAW, CIO, *Proceedings*, Conference on Labor Arbitration, University of Pennsylvania, Nov. 12, 1948, p. 6.

[33] *Op. cit.*, p. 94.

judgment, but they should be controlling only when employer and union so specify.

In both contract and grievance arbitration it is customary for the parties to cite and the arbitrator to consult the published decisions of other arbitrators. These, however, are rarely considered to be binding upon him. They are rather regarded as background material in the light of which decisions may be made.

V

It is generally agreed that the federal government's role in labor disputes should be kept to a minimum and that the parties should work out procedures. This opinion prevails in the face of the popular view in deadlocks that arbitration will prevent strikes. The question is raised whether the government should not urge disputants to submit to voluntary arbitration when bargaining breaks down. When confronted with this problem, the authors of the Labor-Management Relations Act merely provided that,

> The settlement of issues between employers and employees through collective bargaining may be advanced by making available full and adequate governmental facilities for conciliation, mediation, and voluntary arbitration to reach and maintain agreements concerning rates of pay, hours, and working conditions. . . .

and that,

> If the Director [of the Federal Mediation and Conciliation Service] is not able to bring the parties to agreement by conciliation within a reasonable time, he shall seek to induce the parties voluntarily to seek other means of settling the dispute without resort to strike, lock-out, or other coercion. . . .[34]

Whether "other means" should include arbitration is left to the discretion of the director. It is anomalous that an act which intervenes boldly in other aspects of bargaining approaches voluntary arbitration with timidity.

It has been frequently suggested that the government require management and labor to incorporate arbitration clauses in their contracts to assure the settlement of grievances. The Research and Policy Committee of the Committee for Economic Development, for example, urged such legislation.[35] The Taft-Hartley Act, however, merely states that,

> Certain controversies which arise between parties to collective-bargaining agreements may be avoided or minimized by making full and adequate governmental facilities for furnishing assistance to employers and the representatives of their employees in formu-

[34] Public Law 101, 80th Cong., Secs. 201(b), 203(c). The Senate bill referred explicitly to voluntary arbitration with the government assuming up to $500 of the cost, a provision taken from the 1946 Case bill. The Conference Committee, however, struck out direct reference to arbitration. *Labor-Management Relations Act, 1947*, 80th Cong., 1st Sess., H.R. Rep. No. 510, June 3, 1947, pp. 62–63.

[35] "Collective Bargaining: How to Make It More Effective," *A Statement on National Policy*, Feb. 1947.

lating for inclusion within such agreements provision . . . for the final adjustment of grievances or questions regarding the application or interpretation of such agreements, and other provisions designed to prevent the subsequent arising of such controversies.[36]

The Railway Labor Act, on the other hand, both encourages contract arbitration and, in effect, requires the adjustment of grievances. With regard to the former the National Mediation Board must offer this recourse, and elaborate procedures cover its employment.[37] The act provides that grievance disputes may be appealed to the National Railroad Adjustment Board by petition of one or both of the parties. "This procedure has an element of compulsion about it, but is not compulsory arbitration. It offers a way to settle disputes and grievances, but it does not require the submission of disputes and grievances. It assures the appointment of a referee when the parties fail to select one."[38]

Historically the most important function of the government—federal, state, and local—has been to assist parties in the selection of arbitrators. After employer and union have agreed to arbitrate, they must agree upon a particular individual. It is almost universally conceded that the parties should select their arbitrator. To do so, however, particularly during contested negotiations, is often impossible. Since 1937, the American Arbitration Association, a private, nonprofit agency, has appointed arbitrators and performed procedural functions.[39] The parties may also request the assistance of a government agency. The Department of Labor and, since August 1947, the Federal Mediation and Conciliation Service are the two principal federal bodies which have given this assistance on joint request. This service, inaugurated on a modest scale during World War I, grew rapidly after 1937, largely as a result of recommendations from staff conciliators. The labor departments of most states perform a similar function. In some instances the practice is established by legislation, while in others executive officials have assumed it. Judges, governors, mayors, and other public officials occasionally designate arbitrators.[40] The AAA and several government agencies usually submit a list of three, five, or seven names from which the parties select their arbitrator by alternately eliminating those for whom each has least preference. Under unusual circumstances these agencies appoint the arbitrator directly.

The government also plays a part with respect to the cost of arbitration. In many industries this is not an issue since the practice of sharing expenses is well established. Referee costs of the National Railroad Adjustment Board, however, are borne by the government. There is some feeling, particularly among unions but including small employers and public officials, that this policy should apply

[36] Public Law 101, 80th Cong., Sec. 201(c).

[37] John A. Lapp, *Labor Arbitration*, pp. 19, 217–26.

[38] *Ibid.*, pp. 20–21, 227–31.

[39] Frances Kellor, *American Arbitration*, p. 83.

[40] The federal government has appointed the largest number of arbitrators. A Bureau of Labor Statistics survey of 205 agreements in 1946 revealed that 122 provided for appointment by the Conciliation Service, 40 by the AAA, 19 by the War Labor Board, 10 by state agencies, and 14 by others. U. S. Conciliation Service, *Weekly Newsletter*, Oct. 18, 1946, pp. 160–61.

to other industries.[41] The principal arguments for government-financed arbitration are that it will help to avoid stoppages by making machinery readily available; that some unions and companies cannot afford the expense; that the side with greater financial resources may "arbitrate to death" the poorer party; that the government can establish orderly procedures on a continuing basis; and finally, that arbitration, like mediation, should be furnished on the same free terms. The opponents of free arbitration point to the success of privately financed systems, as in the needle trades. They also argue that financial responsibility assures substantial efforts to settle differences by bargaining rather than by relying on the "crutch" of arbitration. They contend, finally, that government intervention here leads inevitably to intrusion into other phases of bargaining and perhaps to compulsory arbitration.

An experimental cost procedure is an agreement by the disputants that the arbitrator will assess costs between them. Thus expenses are divided on the merits of the particular case. If the arbitrator felt that the dispute was submitted for frivolous reasons, he might charge the initiating party with the entire cost; or the loser might be required to assume the whole burden. This would discourage the submission of disputes which should have been settled by negotiation and resembles judicial procedures.[42]

The government, as well, sometimes intervenes through the judiciary to pass on the legality of awards and to enforce them. Jesse Freidin has stated that "as part of a statutory system for settling disputes arbitration involves a division of functions between the arbitrator and the court. Not an equal division by any means—the arbitrator dealing with the substantive issues of the dispute—the court limited very severely to matters of procedure and jurisdiction."[43] Since labor arbitration is a substitute for judicial processes, only rarely are the parties so outraged as to resort to the courts, while the latter refrain from intervening except under compelling circumstances.[44] The limited grounds upon which an

[41] This question was raised but not answered definitively at the President's National Labor-Management Conference in 1945. Management urged private financing, while union officials were reluctant to accept this view. Public officials refrained on this, as on other substantive questions, from interjecting their attitudes. Senator Paul H. Douglas, who acted as an adviser to the Secretary of Labor, privately proposed that the government furnish free arbitration. The Labor-Management Advisory Committee to the Conciliation Service, established pursuant to the recommendations of the Conference, unanimously recommended, however, that the government should not do so. Since some labor representatives later objected, the government did pay arbitrators' fees and expenses under specified limited circumstances. The Conciliation Service's policy of private financing, however, has since become the general practice.

[42] The 1947 agreement between the Ex-cell-o Corporation and Local 49, UAW, CIO provides: "The administration fee and cost of arbitrator shall be borne by the losing party. The arbitrator in making the award shall stipulate which party is the loser." Z. C. Dickinson, appointed to decide a dispute over a discharged employee, remarked that 12 other discharges during the year were not taken to arbitration presumably because of this feature.

[43] "Legal Status of Arbitration," *Proceedings*, New York University First Annual Conference on Labor, 1948, pp. 233–34.

[44] Intervention by a court to upset an arbitrator's award is exceptional. Freidin cites Matter of Herman, in which the New York Court of Appeals set an award aside because the

award may be impeached are:

1. Fraud on the part of the arbitrator;
2. Fraud or misconduct of the parties affecting the decision;
3. Gross unfairness in the conduct of the proceeding;
4. Want of jurisdiction in the arbitrator;
5. Violation of public policy; and
6. Want of entirety in the award.[45]

VI

The first condition for successful arbitration is that unions and management understand the process and participate in it with skill and restraint. This is because the arbitrator is the least important of the three parties in the proceeding. The disputants determine the issues on which they cannot agree and whether they will permit a third person to decide them. They also control his selection and the rules under which he must operate. These rules often include, in addition to procedures, substantive matters which the arbitrator can or cannot consider. Finally, the parties decide the action they will take on the award. In making these decisions they establish conditions for successful arbitration.[46]

A second condition is that the principals agree on the area of arbitrability. Many hold the view that certain issues are not arbitrable, involving matters of principle that can be determined only by the parties. Such an issue is union security.[47] Even under the compulsions of war some companies refused to allow the War Labor Board to decide this matter. In establishing grievance procedures employers frequently refuse to permit certain questions, for example, the right to introduce technological changes, to go to arbitration.[48] It is necessary, there-

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arbitrator stated: "I have taken into consideration and analyzed the contracts of different manufacturers and have also made a personal investigation to ascertain what a fair rate of wages would be for this type of work." The court held that the arbitrator misbehaved in going outside the formal record of the case. *Ibid.*, p. 235.

[45] Clarence M. Updegraff and Whitley P. McCoy, *Arbitration of Labor Disputes*, pp. 126–27.

[46] The National Academy of Arbitrators, wrestling with the problem of ethics in arbitration cases, has noted: "The formulation of . . . standards of conduct for persons who appear before arbitrators is extremely difficult because there are no requirements for practice before arbitrators as before courts, no sanctions paralleling contempt of court or disbarment, and no commonly accepted standards for the presentation of arbitration cases." *Report of Committee on Ethics* (Washington: n.d., mimeo.), p. 12. David L. Cole summarized his exasperation with the parties' frequent inadequacies with the following statement: "The arbitrator is tossed into the arena where there are no rules;—worse yet, where there is no fundamental agreement as to whether there should be any rules, and is then held to account by each of the antagonists as though the rules or lack of rules which each party had in mind were the binding rules of the game." Unpublished address before Industrial Relations Research Association, Washington, D. C., June 8, 1949.

[47] Only rarely and then under unusual circumstances does this question go to arbitration. Examples of such cases are West Penn Power Co. and Utility Workers, 10 LA 166, and the captive mine case decided by John R. Steelman after the collapse of the Defense Mediation Board.

[48] The usual corollary is that the excluded matters are "strike issues"; that is, that a strike is permitted if necessary to resolve a controversy over them. Under the General

fore, that the parties define the arbitrable area. Although it may evolve with time, it is essential at all stages that both sides understand and clearly demarcate its borders. Where this is not explicit there is danger that an award will exceed the limits which one side feels are implicit in the agreement.[49]

A third condition for success is a determination by the parties of the procedure—judicial, bargaining, or some combination of the two—which meets their needs. If they decide, for example, that a majority vote of a tripartite board is required to reach a verdict, they assure themselves a measure of mediation. A judicial proceeding becomes possible, on the other hand, if a single person has power to render an award. A decision as between a permanent and an *ad hoc* arbitrator may have similar results.

Fourth, the parties themselves should, if possible, select their arbitrator. It has already been noted that it is as necessary for the disputants to have confidence in the integrity and ability of the arbitrator as it is for him to possess these qualities. To foster this confidence the FMCS, the AAA, and several state agencies submit panels of names from which to make selections. Arbitrators, furthermore, customarily withdraw if they see signs of lack of confidence on the part of either of the participants.

Properly prepared presentations constitute a fifth condition for successful arbitration. Good cases are sometimes lost simply because the arbitrator is not given complete information or because the other side presents its poor case more adroitly. Too frequently the parties rely on the arbitrator to make a poor case good. Adequate preparation requires competent personnel, sufficient time, and careful study, the last, where possible, with first-hand sources. This may involve consultation with statisticians, lawyers, or other experts, although such "outsiders" sometimes make poor presentations simply because they have not lived with the problems. Tricky and over-combative presentations, designed to win a case rather than solve a problem, have no place in arbitration. Adequate presentation also requires that essential information is not withheld.

Finally, unions and management cannot expect the impossible of arbitration. Neither, by way of illustration, can ask an arbitrator to engage in collusion or fraud. If they use him to render a decision affirming their own covert agreement in order to save face, they should have his approval in advance. They must not ask him to overstep his authority or violate a contract. The parties should not,

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Motors-UAW contract, for example, there are areas within which "legal" strikes may occur. In spite of the no-strike clause in the 1947 agreement, Mr. L. G. Seaton, the Corporation's Director of Labor Relations, stated: "There are two areas where the union can authorize a strike. One is how much money we pay for a job not covered by the wage agreement, and the second is equally fundamental, how much work do we get for the money." *Minutes of First Session*, Third Conference for College and University Educators, General Motors Corporation, June 16, 1947.

[49] Representatives of labor and management at the National Labor-Management Conference concurred that "before voluntary arbitration is agreed upon as a means of settling unsettled issues, the parties themselves should agree on the precise issues, the terms of submission, and the principles or factors by which the arbitrator shall be governed." *The President's National Labor-Management Conference, November 5–30, 1945* (Washington: Division of Labor Standards, 1946), p. 46.

for example, expect him to assume jurisdiction where he clearly has none, nor should they ask him to render a decision defying the language of the agreement. Labor and management must recognize that arbitration is not a cure-all but carries the limitations of their own bargaining.

VII

The prevailing concepts of union and management sovereignty fix the parties' attitudes on arbitration and impose fundamental limitations on the process. At the National Labor-Management Conference the conferees failed to agree on the exclusive functions of management as distinguished from those of unions.[50] This disagreement delimits the area within which the process can function. Only disputes which do not invade the expressed sovereignty of either party are susceptible of settlement by arbitration. It is not possible to define the zone of arbitrability since it varies with particular bargaining relationships. In some industries, for example, the needle trades, the area is usually as wide as either side wishes to make it and questions seldom arise over arbitrability. In other industries the jurisdiction of the umpire is sharply limited.

Where the bargaining area has expanded furthest there is often an apparent atrophy of arbitration. Mature relationships, as in the Pacific Coast pulp and paper industry, have sometimes led to a disuse of arbitration.[51] This may be partly due to the fact that precedents already exist, but even more to the eagerness of both sides to "work things out" themselves. The arbitrator, in other words, attains full success when he has worked himself out of a job. As distinguished from such cases, overreliance on arbitration severely strains the process. Arbitration should not be used to replace collective bargaining.[52] This criticism has frequently been leveled at the grievance procedures under the Railway Labor Act as well as at proposals for inclusive government tribunals to settle disputes. The fact remains, however, that where one side feels that it can gain more through arbitration than through bargaining it will endeavor to force a dispute into arbitration. In grievance cases, unlike contract disputes, the permanent umpire may be able to overcome such tactics.

Arbitration, as Slichter has said of collective bargaining, may become "a method of protecting the old against the new, of retarding technological change, and of protecting vested interests in obsolete methods."[53] Arbitrators

[50] See statement of Committee II, "Management's Right to Manage," *op. cit.*, pp. 51–60.

[51] Clark Kerr and Roger Randall report that although many grievances have arisen in this industry since 1934, only two have been submitted to arbitration. *Causes of Industrial Peace under Collective Bargaining*, Case Study No. 1 (Washington: National Planning Association, 1948), p. 2.

[52] Hawley Simpson, counsel for many employers in the transit industry, has said that in that industry arbitration has not been used "as an adjunct to negotiations, but as an impediment. . . . Negotiations are a farce, merely marking time until the union decides to ask for arbitration." *Daily Labor Report* (Washington: Bureau of National Affairs, Nov. 16, 1948), p. BB-11.

[53] "The Changing Character of American Industrial Relations," *American Economic Review*, Supplement, March 1939, p. 122. For a contrary view see the remarks of O. David Zimring, *Proceedings*, Conference on Labor Arbitration, University of Pennsylvania, 1948, pp. 59–60.

rarely feel that they have either the moral or legal authority to initiate new practices or policies, and, conversely, unions and management are reluctant to confer such powers upon them. Hence their decisions, almost necessarily, are based on what has been done previously either by the parties themselves or by employers and unions similarly situated. Precedents and "patterns" become increasingly important. New and bold solutions are almost invariably found through bargaining rather than arbitration.

Another limitation arises from the belief that there is a dearth of competent and impartial arbitrators.[54] This criticism has been directed partly at arbitrators and partly at agencies which select them. Although incompetents have sometimes been employed and good men have made poor decisions, most arbitrators bring ability and fairness to their tasks. In the heat of a dispute, however, adversaries are inclined to attribute defeat to the ignorance or partiality of the arbitrator rather than to the weakness of their case.

Finally, it must be emphasized that arbitration is neither adaptable to all situations nor can it be relied on to settle all disputes. The public tends to overestimate the potentialities of the process and to urge it as a solution in crises. Third persons, however, seldom understand the issues as clearly as the disputants and their solutions are rarely as satisfactory as those achieved by direct negotiation.

[54] See Fairweather and Shaw, *op. cit.*, p. 317 and Davey, *op. cit.*, p. 392.

SOME LIMITATIONS OF COMPETITIVE EQUILIBRIUM

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The broad characteristics of a perfectly competitive economy in general equilibrium are, from a social point of view, highly attractive:

1. Consumer sovereignty determines the direction of productive effort.

2. Prices are determined by purely impersonal forces, beyond the control of individual households and firms.

3. At equilibrium prices, all buyers and sellers who wish voluntarily to deal at those prices are able to do so.

4. No firm can reduce its unit costs merely by expanding output, since a firm will not be operating in the declining stage of its average total cost curve. The marginal firm (at least) will tend to be at the optimum output, where ATC is a minimum.

5. Since the firm can influence neither the price of its product nor the prices of its inputs, the profit incentive finds expression in expansion of output, efficient combination of inputs, and improved production techniques.

6. With free access, new firms are attracted to areas of the economy where extraordinary profits are being earned. As a result, profits are being continually reduced to "normal." The price society pays tends to be ideally low, while the competitive output tends to be ideally large.

7. This is particularly the case since, in maximizing profits, all competitive firms will operate at the output for which marginal cost equals price. Society pays for the last unit of output precisely the added cost of producing that unit.

8. Factors of production are paid the value of their marginal physical product. In this sense, rewards are based on contributions to output.

9. Units of the same factor allocate themselves so as to equalize rewards in the various possible uses of the factor.

10. The direction of productive effort and the combinations of inputs are such that the competitive allocation of resources is, in a technical sense, optimal.[1]

11. The entire framework is one that stresses freedom (of contract, of choice, of enterprise, of markets, and of person), individual independence and self-reliance, and a decentralized system of economic organization.

Whether the economist wills it or not, these features do have normative implications, which are rather naively drawn both in partisan literature and in the purely political writings of economists themselves.[2] Unquestionably the competitive model is our best approximation to the operation of an economic system based on individualism and free markets. But the model's significance is qualified by (1) certain inherent weaknesses, (2) its level of abstraction, and (3) the limited range of problems with which it deals. Advances during the past quarter-cen-

[1] M. W. Reder, *Studies in the Theory of Welfare Economics*, pp. 39–46.

[2] F. A. Hayek, *The Road to Serfdom*.

tury have in fact developed economic theory in those specific areas where the conclusions of the competitive model were most at odds with reality. Moreover, a critical understanding of the limitations of competitive equilibrium enables us to distinguish more readily between government intervention that would displace the market system, and public action that aims at a more efficient market mechanism. It should, therefore, be rewarding to catalogue certain principles of which the economic theorist is not ignorant but to which he commonly gives insufficient weight.

I

Elaboration of the technical relationships within the model of pure and perfect competition is the task of him who would investigate the logical implications of profit-maximization under ideal conditions. Results even under ideal conditions are not, however, entirely satisfactory.

1. Analysis of the factors determining the level of national income, as contrasted with the allocation of resources at any given level, raises the theoretical possibility of underemployment equilibrium. If the Investment schedule and the savings schedule are interest-inelastic, there may be no positive rate of interest at which the schedules corresponding to a full-employment income will intersect.[3] Equilibrium even of perfect competition would necessarily be at some lower level of national income.

2. For competitive imputation of total product to the various inputs according to marginal productivity, a linear homogeneous production function is frequently assumed. However, constant returns to scale (constant marginal costs) and a given price for its product invite the competitive firm to expand until either (1) its sales are so large that the demand curve may no longer be considered perfectly elastic or (2) a stage of diminishing returns (increasing unit costs) is reached. In these terms, there is a fundamental inconsistency between competitive equilibrium for the individual firm and the marginal productivity theory of distribution.

One solution to this dilemma has been to assume that every firm operates at the low point of its (long-run) ATC curve.[4] But where all firms have the same minimum ATC, a decline in (demand and) price imposes losses on all firms without indicating which firms should leave the industry. Such an industry would tend toward cycles of over-contraction and over-expansion rather than move towards a stable long-run adjustment.[5]

3. Difficulties arise when a household's utility surface is not independent of the utility surfaces of other households, or when a firm's production function is not distinct from those of other firms. "Conspicuous consumption" and social imitation imply a linkage of wants; the household may be maximizing prestige, which is a purely relative matter depending on the status of others. Interdependent cost structures of firms arise, for example, in the case of two firms tapping a common pool of oil.

[3] L. R. Klein, *The Keynesian Revolution*, pp. 83–90.

[4] G. J. Stigler, *Production and Distribution Theories*, pp. 380–87.

[5] K. E. Boulding, *Economic Analysis* (rev. ed.), pp. 493–94.

4. There are certain unavoidable cases of "natural" monopoly. Almost all producers have some measure of monopoly power within the market area immediately surrounding their physical plant, but the power is frequently insignificant. More important, where the minimum ATC of the firm corresponds to a very large output, competitive conditions cannot persist and other types of social control must be devised.

5. Demand and supply functions may be such that intersections occur at more than one point. While society presumably benefits from being at the lowest of the (stable) equilibrium prices, only historical accident will have placed it there.[6]

II[7]

The higher the level of abstraction of any theory, the greater the generality its conclusions may have. Assumed "perfections" of competition, necessary though they may be for theoretical speculation and deductive analysis, make the ideal model inapplicable to many important problems of economic reality.

1. Atomistic units. The logic of individualism must be qualified in a society which, with freedom of association, is characterised to an increasing degree by group behavior. Corporations, labor unions, farmers' cooperatives, trade associations, and professional organizations are patently the significant economic units today. Within such groups there arise questions of what the corporate officials are seeking to maximize and of the relationship of executives to the rank-and-file. Perhaps more important, economic relationships in a pluralistic society, where group contends with group, come closer to meeting the pattern of bilateral monopoly than of pure competition.

2. Perfect mobility. By concentrating on long-run equilibrium, the model gives inadequate attention to short-run rigidities and frictions. Where specialization has been carried far, a community, an area, or an entire national economy may be heavily committed to a given line of production, and costs of reconstruction may be prohibitive. Under adverse circumstances "depressed areas" result. Labor is a particularly immobile factor: attachment to one's community, costs of moving one's family, expenses of retraining, or sheer inertia permit wage differentials to persist for long periods, giving rise to Cairnes' concept of "non-competing groups." Compartmentalization occurs in the capital market as well. Interest rates may be simultaneously "both too high and too low":[8] exceedingly low short-term rates may exist at a time when rates on mortgages and on customer loans outside the large centers are high. Where mobility is not perfect, even if the relations at equilibrium are ideal, the process of moving *towards* equilibrium may be highly defective under free-market processes.

3. Perfect divisibility. Lumpy factors of production may induce solutions that are not precisely determinate, and in extreme cases may result in a scale of plant too large to allow competitive operation. In such cases as radio and television with their limited number of frequencies, there is a certain conflict be-

[6] A. Marshall, *Principles of Economics* (8th ed.), appendix H, 2.

[7] Cf. F. H. Knight, *Risk, Uncertainty, and Profit*, pp. 76–79.

[8] J. H. Williams, *Postwar Monetary Plans*, pp. 101–02.

tween technology and freedom of speech. Compound commodities, such as a car, a house, or even a wage contract, require a single act of choice covering many dimensions of the commodity, and the market may never test those elements separately. Similar problems arise in factor markets from fixed coefficients since, when inputs must be employed in unchanging combinations, the marginal product is a joint product that cannot be allocated separately to the component inputs. Durable consumer and producer goods also involve lumpy purchases over time and, since purchasers of these goods probably respond more to changes in income than to changes in price, introduce additional complications.

4. Perfect knowledge. The requisite knowledge of current prices and of the properties of products is frequently lacking. The market place requires open bidding and full disclosure of relevant facts, if free contract is to do a satisfactory job. In the absence of social controls profit-making may exploit ignorance and lead to fraudulent practices, including misrepresentation and adulteration. Households may make "bad" choices wherever judgement of technical qualities is involved, and particularly in the case of large items purchased infrequently. In the past lack of knowledge has probably been more serious on the selling side of the labor market than at any other point in the economy.

5. Perfect foresight. Producers must in fact operate on the basis of *ex ante* cost and sales curves, in the nature of forecasts of an unknown future. Engineering data and past market behavior may somewhat reduce the element of uncertainty, but these guides will be infallible only in a static state where the past repeats itself in every detail (including the weather). Uncertainty may be formalized into the equilibrium system by introducing probability explicitly;[9] but expectations may nevertheless be inconsistent or wrong, with resultant disappointments. Long-range expectations are particularly important in decisions to invest. Private investment opportunities may be overlooked and capital funds badly allocated if future time periods are discounted so heavily that capital goods are expected to amortize themselves within a five-year period.[10] Instead of being too conservative, a society may react recklessly to uncertainty and gamble excessively. With Knight, "immeasurable uncertainty" becomes the factor that establishes management as an active agent and which explains a permanent stream of pure profits even in a competitive economy.[11] Mistaken forecasts, coming in the form of waves of optimism and pessimism, have been used by Pigou as the basis for a theory of the business cycle.[12]

6. Rational behavior. The competitive model examines the logical implications of profit-maximizing behavior. The "economic man," who closely calculates marginal gains and losses in pursuit of self-interest, reflects the attempt to isolate consistent rather than capricious responses to economic stimuli.[13] In the

[9] A. G. Hart, *Anticipations, Uncertainty, and Dynamic Planning*, University of Chicago, Studies in Business Administration, Vol. XI, No. 1.

[10] National Bureau of Economic Research, *Cost Behavior and Price Policy*, Price Studies No. 4, pp. 162–163.

[11] *Op. cit.*, Part III.

[12] Cf. W. C. Mitchell, *Business Cycles*, Vol. I, pp. 17–19.

[13] Cf. B. Higgins, "The Economic Man and Economic Science", *Canadian Journal of Economics and Political Science*, Vol. 13, No. 4, pp. 587–599.

real world the individual may wish to minimize the exercise of reason or maximize social conformity. Consequently custom and habit, not to mention impulsive, irrational, and inconsistent behavior, play an important role.

In view of the level of abstraction imposed by the "perfectly" competitive model, it is probably true that students of such important fields as labor, corporations, social security, public utilities, and land economics are probing those areas which the model largely excludes by its premises.

III

The intermixture of monopolistic elements—the absence of "pure" competition—in real-world situations has received particular attention in recent years.

1. With product differentiation, each firm is confronted with a downward-sloping demand curve. Even in the "tangency solution," where profits are only normal, the price is higher, the cost of production higher, the output lower, and the number of firms larger than under competition.[14] To offset these failings society enjoys more "variety," but no criteria of the socially desirable amount of variety are available. Rather than from increased efficiency, profits may be earned through manipulating demand functions by advertising and selling costs. Here again an offset exists in the form of more "information" for the consumer, who is however strongly discouraged from making a *rational* choice. Advertising expenditures may protect the profit position of particular firms against encroachment or, if on a sufficiently large scale (e.g. the cigarette industry), may act as an effective barrier against entry to particular industries. Consumers' sovereignty becomes an ephemeral thing; resources are wasted in conflicting advertising claims; and price ceases to conform to marginal cost. Unable to define an "industry" rigorously, economic theory moves towards considering the economy as a conglomeration of individual firms,[15] with the emphasis on equilibrium rather than on competition.

2. Freedom of enterprise does not properly include the freedom to put an end to competition. However effective monopoly may be defined, its implications are clear. Restrictions on entry close the channels of opportunity upon which a fluid society and free economy depend. In monopoloid areas prices are higher, outputs lower, and the employment of resources less than the competitive norms. Monopoly profits, an income for which no corresponding service has been rendered, distort the economy's pattern of income distribution. Prices are not determined by impersonal market forces; on the contrary, the monopolist coerces to a substantial degree both his customers and potential competitors. The concentration of economic power may be sufficient to endanger the political and social basis of a democratic society.[16]

The "public utility" concept implies an exceptional status for such industries as the railroads and the gas, power, and light groups. Where peak load, unused capacity, and heavy overhead costs are significant, the competitive criterion of equating price to marginal cost gives unsatisfactory results, since the marginal

[14] E. H. Chamberlin, *The Theory of Monopolistic Competition*, p. 116.

[15] R. Triffin, *Monopolistic Competition and General Equilibrium Theory.*

[16] R. A. Brady, *Business as a System of Power.*

cost of additional units is extremely low over a considerable range. Henry Simons' liberal economic policy would have allowed government ownership in such cases,[17] despite the seeming paradox of nationalizing particular *industries* in order to maintain a competitive *economy*. The problem, however, cannot be so narrowly confined. Wherever fixed costs are important, and falling prices may induce heavy losses, there is a tremendous incentive for private firms to maintain prices and restrict output by such methods as price leadership, sharing the market, and basing point systems.[18] Similarly, large multi-product firms, who compete at various points with their rivals, may avoid incalculable risk by agreeing upon the terms under which particular markets will be entered. This type of inter-firm behavior is too common to ignore in the very areas where scientific advance is most rapid, e.g. the chemical industries.[19]

3. Other impurities are common place to present-day economists. Under monopsony, productive factors may be exploited in the technical sense that they receive less than their marginal revenue product.[20] The factor will also tend to be used in less than the competitive amounts. Small numbers, whether of buyers or sellers, introduce an instability that precludes precise solutions other than through collusive or tacit agreement. Bilateral monopoly, a type of market situation which becomes increasingly important in a pluralistic society, also allows of no determinate solution (other than a range of solutions). In the general case, output will be less than under competition,[21] but bargaining power and the ability to bluff play an important role. The social costs of the bargaining process and particularly of a breakdown in the process (e.g. a strike or a lockout) are heavy and they are not properly allocated.

IV[22]

Equilibrium prices may be unsatisfactory not only because of monopoloid elements which they reflect but also because of important social costs and benefits which they ignore. Under assumptions of competitive bidding and free contract, the firm's costs are expected to be a good index of social costs and market values are relied on to reflect social values. In fact, where private benefits are concentrated while costs to third parties are widely dispersed, private suit for damages may simply not be worth the trouble, so that some cost elements do not appear in the firm's accounting. Or where costs to the private firm are evident but benefits cannot be fully appropriated, feasible projects may not be undertaken.

1. Smoke nuisance and water pollution in the case of firms, contagious disease

[17] *A Positive Program for Laissez Faire*, University of Chicago, Public Policy Pamphlet No. 15, pp. 22–23.

[18] A. R. Burns, *The Decline of Competition*, pp. 542–46 and *passim*.

[19] G. W. Stocking and M. W. Watkins, *Cartels in Action*, Chap. 9.

[20] J. Robinson, *The Economics of Imperfect Competition*, pp. 218–221.

[21] J. N. Morgan, "Bilateral Monopoly and the Competitive Output," *Quarterly Journal of Economics*, Vol. LXIII, No. 3, pp. 371–91.

[22] A. C. Pigou, *The Economics of Welfare*, Part II, Chap. IX; and J. M. Clark, *Social Control of Business*, especially pp. 151–61.

in the case of households, are examples of possible damage to third parties in the absence of (non-market) preventive measures.

2. It has long been recognized[23] that the time horizon of a private firm is too limited to take proper account of the conservation of natural resources. Posterity loses from excessively rapid cutting of forests, from soil erosion, or from improper mining methods. Similarly, low wages, long hours, and poor working conditions may be considered exceedingly wasteful of human resources. The community and not the private firm as such carries the cost of maintaining and rehabilitating slums.

3. Private firms can reduce costs by laying off workers, but the expenses of supporting the unemployed are borne ultimately by the community. Comparable social costs arise as the result of technological unemployment, particularly if it is prolonged.

4. Private profits can be earned by exploiting a variety of products that are either positively harmful to health or offensive to the public conscience, including such commodities as patent medicines, narcotics, gambling, and intoxicants. Presumably the free market must be retrained in such areas.

5. Residential property owners commonly have no recourse against a fall in property values resulting from the erection of industrial plants in their neighborhood. A similar problem arises, though in more diffused fashion, when commercial advertising spoils natural beauty sites.

6. By contrast, the industrial firm may have no claim to a *rise* in industrial land values or higher prices of suburban properties for which it is partly responsible.

7. Social benefit exceeds private advantage from most developmental projects. No private firm can fully appropriate the gains along the route resulting from new methods of transportation (including canals, railroads, highways, and airways), with the result that purely market criteria apply badly in this field. River-valley development projects probably conform to this pattern.

8. Perhaps the most important of the "uncompensated services" are those advances in the field of ideas and those unpatentable improvements in technique which contribute mightily to the speed of society's industrial progress.

9. Finally, just as the price system may cater to wants that the community condemns, society may place a high value on certain commodities that are not adequately supplied on a free-market basis. Presumably public education and low-cost rental housing are in this class, but the category is defined by the society's purposes and goals.

V

In the cases just discussed, market equilibria are defective in that important considerations are not reflected by the market. More than that, the very concept of static equilibrium must be challenged as a false ideal, one that leads in the direction of rigid, unchanging, "normal" relationships such as underlay the Newtonian system of physics. Modern physics has moved on to concepts (e.g.

[23] E. Whittaker, *A History of Economic Ideas*, pp. 313–14.

protons, electrons) which introduce dynamics and indeterminacy even in matter itself.[24] Although physics has given up its static universe, economics has not; largely by default, the job of uncovering laws of change of the economic process over time has been taken over by the Marxists. The classical system introduced growth as a gentle modification, mainly in the form of slow increases in capital and population and gradual changes in the industrial arts. But growth and historical change are not necessarily, as J. S. Mill supposed, equilibrating processes.[25]

1. The basic data behind the general equilibrium system are constant production functions and constant utility surfaces. In fact, wants are not static things; man aspires after newer and higher wants as much as he seeks to satisfy existing wants.[26] Nor are production functions and utility functions beyond the control of the individual producing unit; the firm seeks to alter the former by improvements in technique, and the latter may be attacked by an advertising campaign. These limitations, however, are relatively minor. The crucial issues are: Is a model which assumes given tastes and given techniques adequate for handling the economic problems which are really important to society? Does it not assume away the things we should be thinking most about?[27]

The economic system manufactures not only products but also tastes, ideas, men, and cultural change, and all of these are interrelated in complex fashion. Individual wants grow out of a particular cultural environment, while changes in production functions alter the cultural setting, create new wants, and even help establish the society's goals. The human side of industry, which lies behind production functions, conditions men's experiences, growth, and attitudes. Men's working lives, the participation in economic activity, may offer opportunities for self-expression or may inculcate a sense of frustration and heighten social tensions. In the business of earning a living, a philosophy of life is generated and certain human motives are nurtured at the expense of others. Industrial units may allow more or less democracy than political units.

Given production functions and constant utility surfaces lead to a narrow definition of economics as "a relationship between ends and scarce means which have alternative uses,"[28] a matter merely of economizing scarce resources to achieve given ends. Certainly society prefers to avoid waste, and in that job equimarginal adjustment is the relevant principle. But our social goals are progress, growth, and change—technological advance and new levels of want satisfaction. For us, the development of new resources and greater productive power is of the essence of economic activity, at least as important as the determination of relative prices. A changing technology and applied science, "industrial revolutions," have given to modern living its characteristic features, in the form of new methods of transportation, new means of communication, new sources of power, new kinds of products, new problems of peace and war. Man

[24] W. C. Dampier, *A History of Science* (4th ed.), pp. 476–78.
[25] Knight, *op. cit.*, pp. xix-xx.
[26] F. H. Knight, *The Ethics of Competition*, Chap. II.
[27] Cf. Williams, *op. cit.*, p. 134.
[28] L. Robbins, *An Essay on the Nature and Significance of Economic Science*, p. 16.

does not passively adjust to his material environment. He is influenced by it; he seeks to control it; he at least succeeds in modifying it.

A consideration of the economic process over time, as contrasted with equilibrium relations at a moment of time, calls for a re-examination of many of our postulates. The argument proceeds on a different plane. Monopoly is defended against competition on the grounds that it is necessary for financing the heavy costs of modern industrial research;[29] it is attacked in other quarters for reducing the rate of technical advance and increasing the amount of economic instability in an attempt to protect existing capital values.[30] New production functions and the innovation process are used as the basis for a theory of the business cycle;[31] or technology is given a Marxian twist, and the social class structure is associated with technical relationships in production.

Changing utility surfaces as well as changing production functions raise interesting questions. The price system is mainly a means and not an end but, as already noted, it generates ends (i.e. individual wants of a specific type) in the course of its operation. Public policy by no means accepts those ends as fixed or final. The society itself establishes a priority rating for various economic goals. The major decisions on economic policy involve a compromise between conflicting purposes: more "freedom" vs. more "security," a higher current standard of living vs. more capital formation, greater income equality on grounds of equity vs. less equality on grounds of progress (and savings), more munitions vs. more civilian goods, development of backward areas abroad vs. more consumption at home, integration of industry for greater efficiency vs. atomization of industry for more competitive operation. These decisions are certainly not to be made on purely economic grounds; and there is even some doubt whether they can be made rationally at all.[32] But certainly "marginal" choices have to be made here and, while economics is obviously relevant, equilibrium analysis does an inadequate job of formulating the desirable social norms.

2. The existing distribution of wealth is an additional datum external to competitive equilibrium. Demand functions are distorted by inequality of dollar voting power; supply functions reflect inequality of opportunity and of bargaining power. That equal status of both parties which the law of free contract implies is violated. Through inheritance of property, the free market by itself may tend towards ever increasing inequality.

Nor is reward in accordance with productivity an ethically satisfactory criterion for the distribution of current output.[33] Ability, like property, is to some extent an inherited windfall, not warranting extraordinary reward. The marketability of particular capacities, as well as of any "economic resource," depends on a cultural environment; luck plays a large role in determining whether a man's capacities or other property are in relatively strong demand and relatively short

[29] J. A. Schumpeter, *Capitalism, Socialism, and Democracy*, pp. 89–92.
[30] F. M. Taylor and O. Lange, *On the Economic Theory of Socialism*, pp. 114–15.
[31] J. A. Schumpeter, *Business Cycles*.
[32] F. H. Knight, *Freedom and Reform*, Chap. XIV.
[33] Knight, *Ethics of Competition*, pp. 58–66.

supply. Rewards keyed to effort require a keener understanding of human motivation, and might stress relative rather than absolute payments, tokens of distinction rather than dollar income.

3. Economics, as contrasted with political economy, prefers also to take the political, institutional, and cultural environment for granted. But the economy does not operate in a political vacuum. One need not agree with the Marxists that he who holds significant economic power also controls the state. On the contrary, producers who are suffering loss as the result of market forces may be expected to employ any non-economic power at their disposal (including, in a democracy, their votes). Even the concept of economic value has an institutional setting. Property rights are intangible assets, and the courts decide what are appropriable values. Custom, e.g. the guaranteed annual wage or the rental of fixed quipment, may convert labor into a fixed cost and capital goods into a variable cost, in the short run.

The study of modern capitalism, as a cultural whole, with a past and a future, has certainly received too small a portion of the economist's time.[34] If not economics, which social science should be making that study? What is required to complement equilibrium analysis is not merely a theory of dynamics or even a theory of economic change but the study of capitalism as a culture, a civilization, as well as a developing economic system. Such a "theory" cannot be formulated by economists alone, but requires an integrated approach by the various social science disciplines. The job is simply not being done.

VI

The price system and free markets are powerful instruments for binding society into an economic order and for minimizing the amount of direct coercion in human affairs. But price equilibria are not inherently desirable, for reasons which it has been the purpose of this paper to sketch. The ideal model of perfect competition does not rule out underemployment equilibrium, instability of competition, or natural monopoly. Conclusions of competitive theory have restricted application in an economy that is many degrees less "perfect" than the pure model. Public measures, properly applied, may reduce the imperfections. Mobility is encouraged by retraining workers and by subsidizing the movement of factors of production. Ignorance is lessened by disseminating statistical data, by unemployment exchanges, by testing consumer goods, by requiring disclosure of information important to purchasers of new securities, and by pure food and drug laws that require honest labeling and truthful advertising.

Monopoly may be attacked frontally, though experience under the Sherman Act demonstrates the difficulty of implementing an anti-monopoly policy. Tax reforms, credit provisions, and governmental research that makes technological improvements more accessible to small-scale enterprise, are a few measures that help make an economic system more "competitive." Where private and social costs or benefits do not coincide, the agenda of public policy becomes more lengthy: conservation of natural resources, minimum wages and maximum hours

[34] But cf. A. G. Gruchy, *Modern Economic Thought.*

laws, unemployment insurance, slum clearance, town planning, encouragement of developmental projects comprise a partial list. The progressive income tax, taxation of inheritance, and in the extreme case land reforms are required to perpetuate the competitive "game" on reasonable terms.

An understanding of the limitations of competitive equilibrium as a social norm thus serves as a guide for improving the market mechanism by public intervention. It also provides a rationale for much recent economic thinking. Advances in the theory of national income, monopolistic competition, oligopoly, and welfare economics all have the effect of posing, and in some cases of answering, questions to which the competitive model had given misleading answers. A start has been made[35] and interest created in a theory of economic development. Perhaps this area, broadly interpreted, will give no precise results comparable even to the "laws" of diminishing returns and diminishing marginal utility; but it is a field economists should find well worth cultivating.

[35] Recent titles, such as C. E. Ayres, *The Theory of Economic Progress* and B. S. Keirstead, *The Theory of Economic Change* follow, after a considerable lag, the leads of Veblen, *Absentee Ownership and Business Enterprise in Recent Times* and Schumpeter, *The Theory of Economic Development.*

THE SOUTHERN FARM FAMILY IN AN ERA OF CHANGE—ECONOMIC ASPECTS[1]

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At no time since Abram and Lot agreed to disagree and Lot drove his herds on the "Plain of Jordan" has the farm family ceased to be a matter of keen concern, not only to the economist and the sociologist but to the preacher and—more particularly—to the politician. As reported by Moses in the Book of Genesis this ancient problem had its origin in the fact that "the land was not able to bear them that they might dwell together."[2] It was given a modern setting and a sociological twist no later than last Christmas when Dr. Carle Zimmerman of Harvard University told delegates to the American Association for the Advancement of Science meeting in New York that farm family life is in danger of returning to the "Dark Ages."[3] Thus we have the story from Abram to Zimmerman: "The farm family has always been in a bad way—and there isn't much we can do about it." Just how bad may be inferred from a few stray remarks gleaned from Dr. Zimmerman's speech.

"Where the land is good," he said, "commercial farms are beginning to dominate the family farm . . . As the commercial farm becomes more dominant class struggle rises in the country between the workers and the landlords . . . Along with this class struggle, there is a sharpening of the battle between the city and the country over the price of food."[4]

Always, of course, there is the inevitable "era of change." And yet, the thoughtful reader can not but wonder in these days of "cold war" and threatening strife whether the world really does move and, in that event, whether conditions are ever quite as bad as they are pictured to be. If so, it is hard to explain why the "strife between the herdsmen of Abram's cattle and the herdsmen of Lot's cattle," which is reported to have arisen about 4000 years ago, has not blazed forth into something more devastating than is evident in the "class struggle" which Zimmerman envisions between workers and landlords or the "sharpening battle" which he sees taking shape between the city and the country. About the most that can be said with certainty is that changes of a sort have been and are taking place. It seems likely, however, that their influence upon farm families may be equaled, or even exceeded, by the influence of farm families upon them. Just what these changes are, how they have influenced and been influenced by farm families, and whether these influences have been for "better or for worse" are the chief topics to be considered in this paper.

[1] Prepared for delivery at the Annual Meeting of the Association of Southern Agricultural Workers, Biloxi, Mississippi, Feb. 10, 1950.

[2] Genesis 13:6.

[3] Science Service News from New York as reported in *The* (Columbia, S. C.) *State*, Dec. 29, 1949.

[4] *Ibid.*

One of the most complete and certainly one of the most helpful treatments of this subject is that found in a recent report by Sherman E. Johnson, Assistant Chief of the Bureau of Agricultural Economics in the United States Department of Agriculture.[5] This report presents data on changes in American farming in the United States and in each of the major producing areas. Says Mr. Johnson: "The increase in total farm output from 1935–39 to 1944 was twice as large as during the entire period from 1919–23 to 1935–39. This was accomplished without significant expansion in the acreage of cropland, and despite scarce supplies of labor, machinery, and farm materials. The high level reached during the war has been maintained in the early postwar years, and the 1948 output was an all-time record."[6]

According to Mr. Johnson, this increase in output constitutes an "unprecedented break" from previous trends. "Usually," he says, "changes in farming develop very slowly and are often unnoticed until the record over a period of years is examined. Even such major innovations as the tractor and complementary machines adapted for mechanical power were introduced so gradually that they escaped special attention until their cumulative effects became unusually pronounced."[7]

Without taking time to look into the specific reasons for the remarkable achievements of the past decade or to inquire as to their economic significance, let us examine the situation as it relates to the South and consider briefly the contribution of the southern farm family to the overall national total.

Mechanization: An over-abundant labor supply and the absence of non-agricultural employment opportunities effectively retarded the mechanization of agriculture in the southern states up until the outbreak of World War II. Since that time no change in American agriculture has been more spectacular than the increase in number of tractors and tractor drawn equipment in these same southern states. In the Appalachian[8] and Delta[9] states the number of tractors increased more than *three* times between 1940 and 1949 and in the Southeast[10] the increase was nearly four times! Meanwhile in the rest of the country the number of tractors on farms in 1948 was less than twice the number in 1940. The South as a whole laid claim in 1940 to only 258,600 tractors. This was just 55 per cent of the number reported in the Corn Belt,[11] about the same as the number reported on the Great Plains[12] and only 5,000 more than reported in the three Lake States.[13] By 1948, however, tractors in the South numbered 679,000—about

[5] Sherman E. Johnson, *Changes in American Farming*, Miscellaneous Publication No. 707, U. S. Department of Agriculture, Dec. 1949.

[6] Johnson, *op. cit.* p. 1.

[7] *Ibid.*

[8] West Virginia, Kentucky, Tennessee, North Carolina, and Virginia.

[9] Mississippi, Louisiana, and Arkansas.

[10] South Carolina, Georgia, Florida, and Alabama.

[11] Ohio, Indiana, Illinois, Iowa, and Missouri.

[12] North Dakota, South Dakota, Nebraska, and Kansas.

[13] Michigan, Wisconsin, and Minnesota.

three-fourths as many as in the Corn Belt and only one-fourth less than in the Lake and Plains States combined![14]

While data are lacking as to the number and variety of other labor saving devices which are available for use in conjunction with these southern tractors, figures on the national level indicate an increase between 1940 and 1949 of 100 per cent in the number of farm motor trucks, 250 per cent in the number of grain combines, and 300 per cent in the number of milking machines.[15] There is every reason to believe that the South participated on a relative basis in these improvements, in which case it is a reasonable assumption that southern farm families, as of today, are in position to accomplish more work with less labor than at any time since 1669 when Joseph West took over the management of the Lords Proprietor's Plantation on Ashley River near Charleston, South Carolina.[16]

Rural Electrification: One of the most significant and far-reaching developments of the past decade has been the electrification of the farms in the nation and particularly in the South. According to estimates by the Bureau of Agricultural Economics, 69 per cent of the farms in the country had central station electric power in June of 1948.[17] This means that about 3 of every 4 farms were lighted from either a public or a private power unit. This figure of about 75 per cent compares with 30 per cent in 1940, 13 per cent in 1930 and 7 per cent in 1920.[18]

Relatively speaking only one-fifth as many southern as northern farms received electric service in 1930—20 per cent of the total in the North and 4 per cent of the total in the South. By June 1948, however, every state in the South save 2 reported more electrified than non-electrified farms—a phenomenal development. Meanwhile increases in the rest of the country were such that a ratio of 4 to 20 has now been changed to one of about 3 to 4.

This rapid and unprecedented increase in number of southern farms wired for electricity, however, tells only a part of the true story of economic and social progress in the rural South. Experience has proven that electric meters turn faster and longer over the years as consumers come to know the economic value of the services rendered by this modern Aladdin's lamp. It is, therefore, reasonable to expect that to a larger and larger degree, southern farm family incomes will be enlarged and southern farm family life enriched both through the *extension* and through the *expansion* of these services. Here is one "change" at least which casts serious doubt upon the assertion that farm families may be returning to the "Dark Ages."

Land Use: Along with changes in the source of light and power, important changes have taken place in land use on southern farms, reflecting both an adjustment to and a reason for other changes. Bureau of Census reports indicate that the acreage of winter cover crops in the southern states in 1944 was about

[14] Johnson, *op. cit.* p. 15.

[15] Johnson, *op. cit.*, p. 18.

[16] See Lyman Carrier's book, *The Beginnings of Agriculture in America*, published by McGraw-Hill Book Company 1923.

[17] Miscellaneous publication No. 707.

[18] U. S. Census.

four times that in prewar years. The economic implications of this change are manifold, suggesting not only the preservation of millions of additional acres against the ravages of winter but the conservation and enrichment of these same acreages for larger production at lower cost. In addition, more and more millions of acres are each year going into forests and into temporary and permanent pastures which will be converted into livestock and livestock products. Some of these changes are the natural result of a shift from mule to tractor power. Others are evidence of increased industrial employment opportunities which have relieved considerable pressure of population on the land and opened up new markets for a variety of farm products.

Improved Practices: While the South has been accused of being slow to accept new ways, the number of farm families adopting recommended agricultural practices is rapidly increasing and is being reflected in larger yields of all major crops and in higher production per animal unit. Chief among these practices may be mentioned the use of improved strains and varieties, more fertilizers, better feeding, more effective disease and insect controls, better selection of land and better land preparation and management.

Cotton yields, which before 1935 were almost never as high as 200 pounds of lint per acre, have not been below 200 pounds during any year since that time, and several times have averaged 300 pounds or more. Over the same period no other section of the country has shown a more remarkable improvement in small grain yields than the South. Other crops, too, have responded to the scientific efforts of agronomists, entomologists, horticulturalists, geneticists, engineers, and chemists. The achievements in the field of animal science are no less impressive. Meanwhile something is being done here and there to extend the processing and improve the marketing of agricultural products and to insure to farmers, if not a larger share of the consumer's dollar, at least more dollars.

Public Policy: It is chiefly in the field of public policy that educators, economists, and sociologists seem not yet to have struck "pay dirt." Thus far the southern farmer in his views on price supports, production controls, marketing quotas, international trade, and similar subjects, appears to have been influenced more largely by the doleful drooling of Dixie demagogues than by sound economic and social reasoning, or even by stable horse sense. As a matter of fact, southern economists, extension workers and educators have appeared to shy away from these questions the answers to which will probably have more influence on agriculture in the future than artificial insemination, DDT, isotopes, Newcastles disease, "arsenic and old lace" all wrapped up together!

If the worst comes to worst the economists must assume their share of the responsibility. Meanwhile, those policy makers and educators who have professed a mortal fear of anything "controversial" will certainly experience many a restless night as they dream not of "purple cows" and "Humpty Dumpties" but of methyl blue potatoes and dried eggs.

Gross Production per Worker: Of even more significance than increased yields is the increase in the production per worker. While the South lags well behind the rest of the country in this respect, improvement has been constant and the

gap is rapidly becoming more narrow. Its eventual closing holds many potentialities for southern farm families and could usher in, or be ushered in by, more changes than the South has seen since Sherman's march through Georgia. The current situation is pretty clearly set forth and partially explained by figures in table 1 adapted from Dr. Johnson's report.[19]

It is a credit to the ingenuity, skill and determination of the southern farm worker that with only 53 per cent as much cropland, 51 per cent as much livestock and 44 per cent as much equipment he is 62 per cent as "efficient" in terms of production as the average farm worker in the United States. Nature, of course, helps some, but nature must also take responsibility for *creating* this situation in the first place. This apparent parodox is explained by the fact that nature, in pouring out her bounty upon the South, does not stop with crops and cattle but is equally munificent with children. The result is that for every mature white boy or girl needed to replace the adult members of southern farm families who

TABLE 1

*Gross Production per Worker, and Value of Land and Buildings, Livestock and Equipment per Worker, by Major Geographic Division, 1944 and 1945**

ITEM	UNITED STATES	WESTERN STATES	NORTHERN STATES	SOUTHERN STATES
Production per worker, 1944 U. S. average = 100	100	150	139	62
Land and buildings per worker, 1945	$4,622	$7,784	$6,665	$2,519
Livestock per worker, 1945	844	1,246	1,299	434
Equipment per worker, 1945	513	664	864	227
Total cropland per worker, 1944 acres	38	48	59	20

* Source: Miscellaneous Publication 707, USDA, Dec. 1949.

die or retire, two white boys and girls are available. For Negroes the ratio is one to three. Unless, therefore, there should become available to white people as many new non-farm as farm jobs, and to colored people *twice* as many new non-farm as farm jobs, the resources available per worker on farms in the South will likely continue to remain below the national average.

Size of Farm: Almost any measure of size is "tricky" when applied to the farm business and, when coupled with such unknowns as "What is a farm?", proves to be unreliable indeed. The situation is particularly confusing in the South where part-time farms and rural residences are especially numerous. In a recent study of the South Carolina piedmont nearly one-fourth of the labor performed by farm families was at non-farm jobs.[20] In still another study involving 1659 rural dwellings in sample areas of the Piedmont, only 848 or 51 per cent were occupied by bona fide farm families and in one county the per cent was only 36.[21]

[19] Johnson, *op. cit.*, p. 74.

[20] A. T. M. Lee and G. H. Aull, *Land Use and Soil Conservation in the Broad River Soil Conservation District of South Carolina*, S. C. Experiment Station Bulletin 373, pp. 49–50.

[21] Unpublished data, Southeast Land Tenure Committee, G. W. Forster, Chairman, N. C. State College, Raleigh.

In discussing the size of farms over a national radio hook-up recently[22] it was pointed out that for the country as a whole the average "census" farm in 1945 was 50 acres larger than 25 years ago and 20 acres larger than in 1940. It was also pointed out that there are difficulties in "averaging" a ten acre New Jersey truck farm and a 50,000 acre sheep ranch in Wyoming. Even a shift from cropper to wage family labor makes a tremendous difference in the average size of farm in the South although the families concerned can hardly note the difference.

Farmer's Equity: Regardless of size, the average farm today is far less burdened with debt and in far better position to withstand the onslaught of another depression (when it comes) than at any time since Hitler goose-stepped his soldiers into Poland to raise the curtain on the second World War. As a matter of fact, no change in agriculture has been more revolutionary than the change in attitude toward and use of farm credit which took place in this country between World War I and World War II. Whereas, during and following the first World War, farmers increased their mortgage debts at the same time their incomes were going up, thereby, setting the stage for an epidemic of foreclosures, the more recent rise in farm income was accompanied by a corresponding reduction in farm indebtedness. This indicates not only sound economic judgment on the part of farm people but wise leadership and commendable restraint among those entrusted with the responsibility of lending.

In times past the farmer's attitude toward credit has been "conditioned" by unfortunate and for the most part unnecessary experience. It is to be hoped that more recent and enlightened procedures will not only insure farm families against a wave of foreclosures in the future but will effectively remove some of the misconceptions in the use of credit which have plagued them in the past.

Farm Income: The "proof" of any pudding must after all be in the eating and the economic benefits of all these changes must somehow be measured in terms of farm income and levels of living. As to this, the Farm Operator Family Level-of-Living Index compiled by the Bureau of Agricultural Economics indicates that the South has made gains of approximately 33 per cent over 1940 as compared to 25 per cent for the rest of the nation, including the South! The South has increased its cash farm income nearly four times since 1940 as compared with about three and a half times for the nation as a whole.

The significance of these changes is further increased by the fact that they have been accomplished by a decreasing percentage of farm workers relative to the total. More agricultural income to be divided among fewer farm workers spells greatly increased opportunities for southern farm families.

Every era is an "era of change." Sometimes the change comes slowly and its effects are long with us. Sometimes it occurs with remarkable speed. Its effects, not always readily apparent, are generally for the best. As to changes surrounding the southern farm family of today, they have long been in the making and are sadly overdue. It seems finally that while the southern farm family may not yet have "arrived," it is on its way.

[22] "The American Farmer," Panel Discussion by Joseph Ackerman, George Aull, Murray Benedict, John Timmons, and Stanley Warren over the American Broadcasting Company network, Chicago, Ill., Saturday, Feb. 8, 1947.

DEVELOPMENTS IN THE LEASING OF MOTOR TRUCK EQUIPMENT

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The widespread use of non-owned vehicles by an authorized carrier in transporting property, more familiarly termed leasing, has become an important part of motor truck transportation. The practice came about during the early stages of development of the for-hire motor carriers when sometimes occasions arose when a shipper might offer for shipment a quantity which exceeded the capacity of a particular carrier's available units. Such carriers, anxious for recognition as dependable and reliable agencies of transport, were faced with the problem of either purchasing more trucks to handle such occasional situations, which most of them were not in a financial position to do, or adding to their fleets by renting a truck from some individual truck owner or trucks from several owners who would carry the goods for the regular motor carrier with the shipper having no knowledge of such arrangements.

During the early 1930's, these renters or "gypsies", as they were sometimes termed, made a business of making one-way trips for any carrier who would hire them whenever the need arose. Some of the for-hire carriers recognized that certain advantages could be gained by employing an owner-operator on a long-term basis. Such an arrangement would mean that the "authorized" carrier would provide the cargo whereas the equipment would be furnished by the so-called owner-operator. Many such arrangements were in effect before the passage of the Motor Carrier Act in 1935.

A diversity of hiring arrangements quickly developed and when Congressional hearings were held on the bill that eventually became the Motor Carrier Act of 1935, some attention was given to the legal status of the participants to these arrangements within the framework of the proposed bill. There was some question as to whether the owner-operators would be the carriers, and anyone hiring their services or leasing their equipment would be a broker or a freight forwarder, or whether the broker or freight forwarder would be the carrier and the owner-operators his agents.[1]

When the Motor Carrier Act of 1935 was adopted, it provided for regulation of the "procurement of and the provision of facilities for" transportation of passengers or property by motor. In addition, the Motor Carrier Act of 1935 defined a common carrier and a contract carrier, in part, as those who undertake "... whether directly or by a lease or any other arrangement . . ." to transport passengers or property, etc.

On August 19, 1936, the Bureau of Motor Carriers of the Interstate Commerce Commission adopted a ruling which so far has remained "tentative" but which provided that the lease or other arrangement by which the equipment of an

[1] Hearings before the Committee on Interstate Commerce, U. S. Senate, 74th Congress, 1st Session, on S1629, pp. 97, 98, 99, 155, 156.

authorized operator is augmented must be of such a character that the possession and control of the vehicle is, for the period of the lease, entirely vested in the authorized operator; that the operation thereof must be conducted under the supervision and control of such carrier; that the vehicle must be operated by persons who are bona fide employees of the authorized operator.

After the issuance of this ruling, Division 5 of the Interstate Commerce Commission referred to it in a few cases without officially adopting or rejecting it and authorized issuance of certificates to applicants proposing to conduct operations under conditions which met the requirements of the ruling.[2] It therefore became quite generally recognized that "... when a certificate or permit holder furnishes services in vehicles owned and operated by others, he must control the service, to the same extent as if he owned the vehicles, but need control the vehicles only to the extent necessary to be responsible to the shipper, the public, and the Commission for the transportation."[3]

Since 1940, the Bureau of Motor Carriers of the Interstate Commerce Commission has been giving consideration to leasing arrangements of motor common and contract carriers and has held various meetings with representative carriers on the subject. In 1941, a study of the subject was made and a preliminary statistical report was released in 1943. Then the war came which caused commission activities to be directed toward more pressing problems closely related to the war effort.[4] The difficulty of procuring new vehicles as well as Office of Defense Transportation directives and Interstate Commerce Commission orders designed to affect maximum utilization of motor vehicles in some degree caused leasing to become more widespread during the war. This trend continued following the war when many veterans purchased equipment and then leased it to certificated and contract carriers.

In 1947, the Bureau of Motor Carriers sent a questionnaire to the 19,001 carriers of property who were active and subject to Interstate Commerce Commission regulations. The data obtained were classified into 5 geographical regions as follows:

A	*B*	*C*	*D*	*E*
Maine	Virginia	W. Virginia	Minnesota	Montana
New Hampshire	N. Carolina	Ohio	Iowa	Wyoming
Vermont	S. Carolina	Indiana	Missouri	Colorado
New York	Georgia	Michigan	Kansas	New Mexico
Massachusetts	Florida	Illinois	Nebraska	Arizona
Rhode Island	Alabama	Wisconsin	S. Dakota	Nevada
Connecticut	Kentucky		N. Dakota	Utah
New Jersey	Tennessee			Idaho
Pennsylvania	Mississippi			Washington
Delaware	Louisiana			Oregon
Maryland	Arkansas			California
District of Columbia	Oklahoma			
	Texas			

[2] Memorandum to The Staff From the Director of Bureau of Motor Carriers on the Subject of Leasing, dated June 5, 1947.

[3] Examiner's Report in Ex Parte No. MC-43; Lease and Interchange of Vehicles by Motor Carriers, dated August 26, 1949.

[4] Subsequent changes brought about by the war as well as a later report have had the effect of making the 1943 report obsolete.

The extent of leasing by type of carrier and the total number is given in the following table:[5]

Type of Carrier and Total Number		Leasing Important Per cent	Leasing Unimportant Per cent	Did not Lease Per cent
General commodity carriers	(5,519)	27.3	9.5	63.2
Tank truck operators	(457)	32.6	14.0	53.4
Household goods carriers	(2,611)	24.5	6.8	68.7
Heavy haulers	(710)	21.3	13.2	65.5
Carriers of other special commodities	(6,186)	8.3	6.9	84.8
Not classified	(2,038)	50.2	3.7	46.1
Local carriers	(1,480)	7.6	8.9	83.5

More detailed information was secured from those carriers who regarded leasing as being important to their business. Those carriers grossing $100,000 or more per year (Class I) and operating as Intercity Common Carriers of general commodities in Region C leased 51 per cent of their equipment which included over the road and pick-up and delivery trucks. If the total number of vehicles operated by the Intercity Common-Class I carriers who consider leasing as important to their business in Region C is computed by class of commodity (tank trucks, household goods, etc.) 53.6 per cent of their vehicles were leased in 1947. For the Intercity Common-Class II carriers during the same period and in the same area, the figure is 58.6 per cent. Region D shows a similar distribution for Intercity Common-Class I with 50 per cent of the vehicles leased and 36.2 per cent leased of the Intercity Common-Class II carriers. In contrast to this in Region E of the Intercity Common-Class I carriers who regarded leasing as important to their business but 14.1 per cent of the vehicles were leased and 28.3 per cent of the vehicles were leased by Intercity Common-Class II carriers. In Regions A and B, for Intercity Common-Class I carriers 26.2 per cent and 35.2 per cent respectively of vehicles were leased, and for Intercity Common-Class II carriers the figures are 21 per cent in Region A and 24.6 per cent in Region B.

If all 3 classes of common carriers, both local and intercity, who consider leasing important to their business, are examined it is revealed that Regions C and D depend very heavily upon leased equipment, the combined average for the 2 regions being close to 50 per cent. The 3 classes of contract carriers show a smaller proportion of leased vehicles to owned vehicles in all but Region E. In the latter Region, 26.4 per cent of contract carrier vehicles were leased as compared to 17.2 per cent for common carriers who regarded leasing as important to their business.

If only over-the-road vehicles were considered, the percentage leased would run even higher; the proportion of vehicles leased in Region E being 13 per cent of those operated by Intercity Class I carriers of general commodities, which gives some indication that leasing is more prevalent in some areas of the United States than in others.

In 1947, a set of regulations concerning leasing which the Bureau of Motor

[5] Examiner's Report in Ex Parte No. MC-43; Lease and Interchange of Vehicles by Motor Carriers, dated August 26, 1949.

Carriers felt would prohibit undesirable practices that allegedly existed was discussed with representatives of the American Trucking Associations, after which the various proposals were discussed at the annual convention of this organization. The carrier representatives at the convention appeared unable to secure unanimity of opinion concerning the proposed regulations so the Director of the Bureau of Motor Carriers recommended that a proceeding be instituted by the Interstate Commerce Commission to investigate the lease and interchange of vehicles by motor carriers. By order entered January 9, 1948, Division 5 of the Interstate Commerce Commission instituted on its own motion a nation-wide investigation that is better known as Ex Parte No. MC-43. The proposals of the proceeding set forth by the Director of the Bureau of Motor Carriers contained 4 different remedies, as well as some other suggestions: (1) prohibition of use by a carrier of vehicles which it does not own; (2) requirement that a carrier own a percentage of the vehicles which it uses; (3) prohibition of the use of vehicles not owned or held under long-term lease; (4) permission to use an unlimited number of vehicles under trip leases, but subject to certain requirements.[6]

Hearings in Ex Parte No. MC-43 were held in 1948 at which the field staff of the Bureau of Motor Carriers listed a number of examples of what it felt were undesirable leasing and interchange practices. These included: (1) control, direction, and domination of transportation service; (2) informality of arrangements; (3) insufficiency of control over operation of vehicles; (4) insufficiency of control over drivers; (5) loss of contacts with shippers; (6) avoidance of carrier responsibilities; (7) abuses of leasing and interchanging vehicles.

It was also found that many violations of Interstate Commerce Commission regulations, primarily in the field of safety, had taken place. These were discovered through road checks of for-hire and private carriers operating interstate for 6 months prior to September 15, 1948. By establishing the 2 categories of owned vehicles and leased vehicles and tabulating the violations observed through the road-checks in each group, it was found that in all but one region the percentage of leased vehicles violating Interstate Commerce Commission regulations exceeded the percentage of violations in the owned vehicle group.

The Examiner's recommendation in Ex Parte MC-43 was issued August 26, 1949, and sets forth a series of rules, most or all of which will probably be adopted by the commission to govern interchanging and renting of vehicles or equipment. Leasing probably cannot be restricted to any specific percentage of the total equipment of a carrier nor can leasing be prohibited without amendment to Part II of the Interstate Commerce Act.

The proposed rules do, however, insure that leasing of equipment by the carriers will be conducted in a manner to meet certain basic requirements. These rules set forth by the examiner are:

1. A lease or contract for the rental of equipment shall vest exclusive use, direction, and control of the equipment in the lessee for the full period of the lease and in respect

[6] Testimony by Director of the Bureau of Motor Carriers in Ex Parte No. MC-43 Hearing on October 14, 1948.

of such equipment the lessee shall accept all its legal responsibility as a carrier to the Commission, the shippers, and the public.

2. Leased equipment must be operated by employees of the lessee carrier. . . . However, where a lease of equipment is entered into between authorized carriers, both of whom have authority to operate over the routes or within the territory where the leased equipment is to be utilized the driver need not be an employee of the lessee.

3. Equipment must be properly inspected and adequately identified, in order to show the carrier responsible for its operation. This would mean a copy of the lease to go with the equipment as well as identification on the outside of the leased equipment. All leases should apply for a period of not less than 30 days, except leases between authorized carriers where it may be assumed that the equipment is maintained properly in compliance with safety regulations and in emergencies. The rental of motor vehicles and equipment to private carriers or shippers shall be on the basis of agreements of not less than 180 days.

4. Compensation should not be based upon a percentage of the revenue.

5. The rules and regulations should grant no exemptions to any group of common and contract carriers of property in interstate commerce except "the Railway Express Agency Inc. in its motor transportation of railroad express traffic and railroads which perform substituted motor service in the transportation of railroad freight between rail stations on railroad billings" should not have the requirement that drivers of leased vehicles must be employees of the lessee carrier.

6. Interchange equipment should be properly identified as in the service of the carrier receiving it and having authority to operate over the route or within the territory in which it is utilized and should be inspected with a view to insuring compliance with the safety regulations.

7. Copies of agreements covering interchange must be filed with the Commission.

When rules like the above become effective, they will have considerable effect upon common and contract carriers, owner-operators, as well as private carriers and shippers who lease equipment. Obviously carriers will have to buy more equipment inasmuch as leasing will become more difficult. Owner-operators would have to become employees of the lessee carrier, and many of them may not want to do this, preferring to get into some other activity. The private carriers and shippers who now lease equipment to carry their own goods may feel that a lease that is for not less than 180 days will not be to their liking and will make other arrangements, probably going to the common carriers. These are but a few of the numerous problems that would grow out of a more stringent regulation of motor truck leasing.

NOTE ON THE BENEFITS JUSTIFICATION OF THE GASOLINE TAX

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The collection of the gasoline tax through the market permits the generalized statement that the total price of gasoline and tax is not greater than the benefit expected from the use of the gasoline. However, when gasoline is purchased, both power and road use are obtained. The benefit derived from road use is very difficult to separate from the power benefit. It is quite possible for the purchase of the gasoline to be considered an economical purchase yet the tax payment to be considered an uneconomical expenditure. A purchase of gasoline is a purchase of two distinct utilities: one is the power which can be obtained from the gasoline, and the other is a smooth surface upon which to operate the vehicle moved through the utilization of the power of the gasoline. These joint benefits cannot be completely separated, yet this must be attempted if a serious effort is to be made to determine whether the gasoline tax paid is greater than benefits obtained from the expenditure of funds collected or for that matter to determine whether the gasoline tax has any relationship to benefits.

If the benefits of a smooth surface are separated from power or power from a smooth surface, it appears that most of the benefits arise in each case from only one. The power of gasoline would be of much less value or benefit if good highways were not available upon which to operate vehicles propelled with gasoline, and certainly the highways would be of a considerably decreased benefit if gasoline were not available as a source of power. A cursory consideration of highways and gasoline indicates that there are more readily-available substitutes for gasoline and its power than for highways and their provision of a smooth surface. It is doubtful, however, that the greater indispensableness of a particular factor provides a very useful measure of the benefit derived from its utilization. That is to say, the closeness of substitutes should not be considered to reduce the benefits obtained from the use of a particular good or service although it is undeniably true that it does affect the price which can be obtained if a threat is made to withhold the product from the market. Perhaps the best determiner of benefit available is: How much will be paid for gasoline and roads when they are purchased separately?[1]

The purchase of gasoline that is not used to propel vehicles along the highways gives an idea of the value of gasoline as a single product; the payment of tolls to use a good road indicates the value of the single product, smooth surface. In both it appears that the money value of benefit derived from each of the products alone is, at least under certain circumstances, equal to the cost of provision. However, in the purchase of roads, that is, the payment of tolls, financing has

[1] The possibility of determining the value of one product through variation of proportions used is not available, nor are there close substitutes for either item.

been possible only in cases of the most strategically-located highways. The payment of tax on gasoline used on toll roads weakens this comparison and undoubtedly additional toll highways could be financed if the gasoline consumed on them was tax-free.

Examples do not exist in the United States of successful collection of tolls to pay for the construction and maintenance of secondary and tertiary roads. Nevertheless, a large portion of the funds required for the construction and maintenance of these roads is obtained from gasoline tax collections. The use of gasoline tax funds collected from operators of vehicles on trunk highways to finance secondary and tertiary roads is a proof of a willingness to pay more than the cost of these smooth surfaces which serve as trunk highways. Those who pay for secondary and tertiary roads through the forced combination of the gasoline tax with the price of gasoline used on trunk highways are not allocating their resources in accordance with the resource use dictates of a free market.

The combining of gasoline and the gasoline tax makes possible the allocation of more resources to roads with a low traffic density than would arise through a free market. It also reduces the resources used to develop roads with a high traffic density. Undesirable resource use (as judged by the market) is much less important with respect to the power portion of the joint purchase.[2]

Another aspect of this joint purchase is that the total price is only as high as what might be called the least joint benefit. Very likely many of the persons making the joint purchase enjoy a benefit greater than that represented by joint price.[3]

The willingness of the public to purchase gasoline proves that the price paid for gasoline (power and roads) is not greater than the joint benefit derived. However, it fails to prove that the gasoline tax paid is related in any direct way to the benefit received from the use of highways. In fact, because of the lack of a good substitute for the smooth surface provided by roads, the portion of the total price paid which is allocated for roads is apt to be greater than benefit, while the portion allocated to power, less than benefit.

The following conditions must be met if gasoline tax burdens are to closely correspond with benefits received by the different persons and groups bearing them.

1. The net gasoline tax must be different for every person purchasing gasoline. The amount charged different purchasers would have to be determined on the basis of an average economic benefit accruing to the different groups utilizing gasoline. If a uniform tax rate were applied, it would have to be very high with large refunds extended to those groups receiving benefits less than the amount of tax assessed.

[2] Tax-free power sources are readily available, for example, electricity, gas, coal, and the like, but they are not used. Substitutes for the public roads and streets are much less satisfactory.

[3] The term *joint purchase* is used here to indicate the purchase of two distinct products which cannot be separately purchased and utilized. The term *joint product* is well established as referring to several products that necessarily arise from a certain productive activity. The usual economic term *complimentary goods* used to refer to highways and gasoline does not seem to give the correct connotation.

2. The shifting of the tax by the person bearing the original impact must be prohibited or the exact manner in which the tax burden is shifted would have to be determined.

It is extremely doubtful that either of these conditions could or even should be met in the United States.

In the United States, it is politically and administratively desirable to collect a tax as a part of the price system. Under these conditions, the payment of the gasoline tax appears voluntary and directly related to benefits, for it becomes part of the price of gasoline purchased for use in propelling vehicles along roads constructed and maintained with funds obtained through the assessment of the tax. This administrative expediency is important, but taxes should not be primarily determined on this basis.

Tax payment is most frequently justified by the government on the basis of ability-to-pay and benefit. The other important justification is that it will cause a more efficient use of resources. It has been shown that the gasoline tax is not levied accurately according to benefit. The tax is also not levied accurately according to ability-to-pay. To levy the tax according to ability-to-pay, the rich would have to pay a high tax (price) for the same services available to the poor for a much lower tax payment. Based upon this same concept, it would be correct for the person or group benefiting a great deal from a particular government activity to pay no more than those receiving less benefit. Charging on this basis would change the existing size of payments made by particular individuals and also by different income brackets.

The gasoline tax allocates resource use for highways differently than would the market. The market would increase the resources used for trunk routes and decrease the quantity going to rural routes from that determined under the gasoline tax. The gasoline tax does not greatly change the allocation of resources utilized in gasoline production from what it would be if determined by the market. The effect which the tax does have arises from its levy as a specific tax. This tends to increase the use of the better grades of gasoline.

The government operation of nearly all roads is actually a scheme whereby the greater quantity of benefits derived from the utilization of certain roads is made available through gasoline tax collections for the construction and maintenance of roads from which is derived a much smaller benefit directly related to traffic. The traffic benefits derived from a road less the cost of construction and maintenance determine the road's ability to aid in the financing of other roads. This difference is often labeled rent or economic surplus, and its use for public purposes has been frequently justified. The funds transferred are available because of the economic surplus arising from the use of gasoline to propel vehicles over highways. This, however, does not mean that individuals utilizing the highways possess surpluses available for transfer. It is the great trunk highways that produce an economic surplus that can be tapped by the levy of gasline taxes to finance secondary and tertiary roads that experience an economic deficit. It is then largely in this very special sense that the gasoline tax is related to ability-to-pay.

Analyses of the gasoline tax, particularly those related to commercial users

of the highways, have assumed that the tax should be judged on the basis of the rules of the private economy. The above analysis has shown this is not the basis of current levies and it is extremely doubtful if it ever should be. The fiscal rules of the public economy should be applied but the present collection and subsidy scheme is not economically sound.

A gasoline tax could be levied that would more closely approach the idea of individual ability-to-pay and other conventional goals of government fiscal activity than that collected at present. For example, the tax could be levied on an ad valorem basis with progressive rates. This would increase the amount of taxes paid by the purchasers of the better grades of gasoline. Or the rates could be determined with regard to the utilization and conservation of natural resources. A gasoline tax aimed at resource conservation would be collected at the well or the refinery and would vary depending upon the resource from which the gasoline were extracted. If the gasoline were made from coal, the tax might be zero; if the gasoline were made from easily-available and quickly-exhausted wells, the tax might be very high, and so on. This would encourage scientific development and reduce economic rents.

Neither of these very important considerations appears to have been given serious attention in the levy of the gasoline taxes. In fact, these concepts have not even been considered, and the entire justification has rested upon a special benefit enjoyed by the taxpayer. All gasoline tax changes have applied to all types of gasoline and all types of gasoline consumption. The changes appear to have been made solely to provide more funds for highway purposes, and the economic desirability of the original collection and later expenditure has not been adequately considered.

The existing shortage of highway funds which has resulted in toll roads and a continual increase of highway congestion shows the gasoline tax wanting in meeting even the limited goal of financing highway construction. This difficulty is undoubtedly related to a fundamental concept of modern state highway finance; namely, that the economic surplus arising from heavily-traveled highways should provide the funds to finance highways possessing an economic worth not so directly related to quantity of traffic. It is a basic concept of the existing gasoline tax-financed highway system. In addition the gasoline tax possesses a very tenuous relationship to taxpayer benefit and fails to correspond with currently-accepted ideas of *taxpayer* ability and efficiency of resource use. These economic and ethical shortcomings are real and cannot be shrugged off by the pragmatic advantage of continued use of the existing gasoline tax.

COMMUNICATION

NOTE ON THE DIFFERENTIAL CONTROVERSY

Professor Markham has questioned the conclusions reached by Professors Sufrin, Swingard, and Stephenson concerning the causal factors making for the North-South annual earnings differential.[1] Specifically, he is critical of the conclusion that the size of capital investment in a region is a primary cause for the existence of earnings differentials, and he attempts to show that the type of investment is a more fundamental determining force. He states that the argument "that North-South income differentials are due to differences in the size of capital investment in the respective regional markets is only superficially true."[2] This note is purposed to examine this premise and will not consider his more technical objections to the earlier paper on other points.

It is evident from nothing more than a cursory comparison of the southern with the non-southern industrial pattern that a direct relationship between the kinds of industries, or types of investment, and the earnings level of workers does exist. However, the acceptance of the difference in the type of investment as the basic determinant of regional earnings disparities implicitly assumes that regional industrial structures develop largely as a result of non-economic forces. The available facts do not seem to support this implied assumption. *The type of investment or kinds of industries which are found in the South are the result of the relatively low capital investment in the region.* The industrial pattern of a region is in large part determined by the underlying ratio between the productive factors.[3] Historical and institutional developments, dating from the Civil War and Reconstruction heritage, have created in the South an economy which has been traditionally characterized as containing an excessive supply of labor relative to its capital investment. This ratio, due to the fact that it is different from that existent in the non-South, tends to provide greater monetary incentives for the migration and the establishment of industries using little capital relative to labor. Industries utilizing much labor, heavily weighted with the lower skilled ranks, and with a low capital investment per worker, will be, and have been, attracted to the South more readily than other types. Therefore, the developing industrial structure of the region could have been expected to include a predominance of industries of this type. This is, of course, shown in the pattern that exists in the South today. It appears that Professor Markham, in attributing too much importance to the type of investment itself, has failed to realize that this in turn is derivative from the factor ratios in large part, and is not exog-

[1] Jesse W. Markham, "Some Comments Upon the North-South Differential," *Southern Economic Journal*, Jan. 1950, pp. 279–283. His comments are in reference to the article by Sidney C. Sufrin, Alfred W. Swingard, and Francis M. Stephenson, "The North-South Differential—A Different View," *Southern Economic Journal*, Oct. 1948, pp. 184–190.

[2] *Ibid*, p. 280.

[3] Cf. J. J. Spengler, "Regional Differences and the Future of Manufacturing in America," *Southern Economic Journal*, Apr. 1941, p. 476; "Population Problems in the South, Part III," *Southern Economic Journal*, Oct. 1937, p. 150.

enously determined. He seems the one who is only superficially correct, at least on this one point, and the conclusions of the writers of the earlier article appear more fundamental.

Professor Markham further implies that public policy in the South should be oriented towards the attraction of newer and heavier industries (higher capital to labor ratios) in opposition to the continuing provision of inducements to the low paying, low capital to labor ratio, industries already concentrated in the area. Admittedly, if the South is faced with the alternative of "one or the other," it is advantageous to secure the heavier industry, and the heavier the better. However, this conclusion does not deny the continued existence of a greater economic attraction to the relatively low capital using industries. The South seems in no position to discourage any type of industrialization at the present time. Therefore, it seems that public policy should continue to exploit rather than overlook the inherent economic advantages which the region possesses, while at the same time providing as many sound inducements to the establishment of heavy industry as possible.

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BOOK REVIEWS

Has Market Capitalism Collapsed? A Critique of Karl Polanyi's New Economics. By Allen Morris Sievers. New York: Columbia University Press, 1949. Pp. 387. $4.75.

As indicated in the sub-title, this book is a critique of the economic theories of Karl Polanyi.[1] Polanyi is a contemporary economist who is ranked, by some, with Adam Smith and Karl Marx for his contribution to economics. As a critique, Sievers' book is constructive rather than antithetical. The author has clearly presented the theories of Polanyi and has gone on to analyze the strong points of the theory as well as the areas which require further study and clarification. Possibly this review will best serve most readers if it attempts to summarize the Polanyi thesis.

Capitalism is a "monster among human societies." There are no specific motives which may be attributed to man that makes capitalism a natural order. That is, "no human motive is per se economic." This is, of course, in direct conflict with the basic psychological assumption of Adam Smith. Polanyi finds that "man by nature is a social animal; society is organized to fill the total needs of man; all societies except capitalistic society encouraged the whole man to act in all social activities; the organization of capitalism demands a split in man so that he is encouraged to set aside all natural motives except hunger and gain in the pursuit of material goods."

The Speenhamland Poor Law of 1795 and the Poor Law Reform Act of 1834 marked the establishment of the market economy. The latter act establshed a "free" market for labor and thus broke the tie with all previous societies where man found protection within society. The break down of capitalism in turn is marked by a return to a protective society where the motivating force is the preservation of society and the members who make up society.

The Classical economists erred, "Instead of seeking social laws they enunciated economic laws which they generalized into social laws." "Laissez-faire itself was enforced by the state." The market economy was built upon four primary institutions (1) the balance of power, (2) the gold standard, (3) the liberal state, and (4) the self-regulating market. In effect, there was established a system dominated by *haute finance* but it was by no means a natural order. International capitalists were able to maintain peace between the great powers, not that the capitalists were against war but only against wars which would seriously impair their position of power.

From 1880, unemployment, class tensions, pressure on foreign exchanges and imperialistic rivalries led to an expansion of protectionism. Protectionism in turn placed a strain on the self-regulating market. Following 1907, the balance of power was upset and World War I in turn resulted from the collapse of the international economic system. Attempts were made to reconstruct the market

[1] To clarify Polanyi's thesis, some quotations in this review are taken from his book' *The Great Transformation.*

economy but disintegration had proceeded too far. The collapse of the gold standard is regarded as the "final failure of the market economy."

The collapse of the market economy produced fear—fear of war, communism, etc. This fear was exploited by fascist groups for their own benefit. Polanyi is opposed to fascism since its reforms of the market economy are gained at the price of "the extirpation of all democratic institutions." Polanyi favors democratic socialism and he believes the socialist solution is "inherent." "After a century of blind 'improvement' man is restoring his 'habitation'."

Readers who are unfamiliar with Polanyi will gain a more concise understanding of his views by first reading *The Great Transformation*. Those already familiar with Polanyi will find Sievers' critique enlightening. While the critique makes no startlingly new contribution, it does clarify.

Two implied weaknesses appear to the reviewer in the Polanyi-Sievers thesis, which do not seem warranted by the authors' own anthropological citations. First of all "inhumanity" did not originate with capitalism, it has always existed, even in the protective societies. Until man is more aware of the motivating forces governing his own behavior, and also able to control them, there is little likelihood that man will find the freedom Polanyi and Sievers seek. Secondly, the "unitary" view of society is vague. What are the limits of society? It is possible that conflicts of interest produce many "societies" which inherently compete, sometimes in open conflict, with one another. Along with Smith, Marx and others, Polanyi and Sievers seem guilty of a utopian bias.

University of Kentucky JOHN T. MASTEN

Price Theory. By Sidney Weintraub. New York: Pitman Publishing Corp., 1949. Pp. xiii, 447. $5.50.

In this textbook Professor Weintraub has certainly presented, as he set out to do, a "reasonably complete statement of modern price theory." Within the four parts (Demand and Cost Analysis, Market Behavior of the Firm, Multiple-Product Firms, and Dynamic Analysis), the author runs the gamut of elasticity concepts and stability conditions, applies indifference- or iso-curve technique to a wide variety of maximizing problems, and gathers some of the harvest from recent controversies, such as that over consumer's surplus. His excellent bibliographical notes at the end of each chapter and his terminology are conspicuously up-to-date. He cites many recent articles and contributions, makes more references to Hicks than to Marshall, replaces "monopoly-monopsony" with "monempory," and uses "heterogeneous entry" to mean entry into an "industry" by producing a close substitute.

In view of its detailed elaboration of modern theory, the book contains surprisingly few errors, indicating careful writing and proofreading. For the most part, it is well organized, and advanced students should find it clear. The explanations of the law of variable proportions and of marginalism are exceptionally good. In the latter, he emphasizes that equality of marginal revenue and marginal cost is a *property* of, not a means to, the maximum-profit position.

Naturally, there are occasional lapses. For example, the following seems mis-

leading, even in its context (the chapter on product variation): "If we are entitled to assume total employment is the same in the competitive and monopoly-pricing worlds, as the individual firm's price is higher and output smaller under monopoly pricing, there will be less employment generated by each firm. Consequently, for (approximately) the same total volume of employment there must be more firms . . ." (p. 232). Moreover, and this is more serious, this reviewer does not believe that we should assert with such confidence that "once new equipment has been conceived, or a new product devised, the entrepreneurial promotional measures to place it on the commodity belt will undoubtedly be quickened if the innovators enjoy sole right to exploit their creation by sealing off entry and exercising the unitary monopoly powers within their grasp" (p. 202). The struggle (or non-price *competition*) among large firms with some monopoly power may stimulate research and the devising of new products, but sufficiently secure monopoly power may surely retard the introduction of new ideas—as Professor Weintraub recognizes in his discussion of patent sealing (p. 233).

The chapter on Duopoly and Oligopoly seems unnecessarily hard to follow. Part IV on Dynamic Analysis, although well handled, suggests how thin much of our dynamic theory has turned out to be. On the whole, it is doubtful that the book is sufficiently simple and clear for most "students who come from elementary courses" (p. vii). It takes up, often in ingenious new ways, almost the entire classification of market situations, with modifications in most cases to allow for substitute and complementary goods. The succession of arguments and geometrical demonstrations may easily overwhelm intermediate students, particularly since the author, by deliberately avoiding welfare or policy implications (p. 435), gives no help to students anxious to perceive some use for price theory. Thus, he never brings out clearly the relation between demand, cost, and firm analysis, on the one hand, and resource allocation (the heart of the economizing problem), on the other; his brief discussion of general equilibrium is merely a Walrasian demonstration that equilibrium throughout the economy is conceptually possible.

The technical completeness and competence of this volume make one admire Professor Weintraub's presentation and at the same time question the way we are rounding out economic theory. If theory is to become more useful in problem-solving, we must (1) formulate hypotheses yielding predictions which differ from those of earlier theories and which pertain to significant problems, and (2) test hypotheses by comparing their implications and predictions with observations —not by determining the "reality" of their assumptions (impossible to define unambiguously except in terms of whether or not the theory "works").* Our crying need today may be for a reexamination of modern refinements to see whether they provide refutable hypotheses about important matters or actually sacrifice relevance for the photographic reality of assumptions. When students

*These remarks stem from Professor Milton Friedman's position, summarized in his article "The Marshallian Demand Curve," *Journal of Political Economy*, December 1949, pp. 490–91, and in G. J. Stigler, *Five Lectures on Economic Problems*, pp. 23–24.

ask what use is price theory, a convincing answer—with respect to some parts—is singularly difficult to find.

Vanderbilt University ROLAND N. MCKEAN

The Philosophy of Thorstein Veblen. By Stanley Matthew Daugert. New York: King's Crown Press, 1950. Pp. viii, 134. $2.25.

This little book, originally submitted as a philosophy dissertation at Columbia University, partially fills a long existent gap in our understanding of the somewhat maligned and considerably misunderstood Thorstein Veblen as to what was his actual contribution to the study of economics. We tend to forget that Veblen took a doctorate in philosophy at Yale before beginning work in the field of economics, and that his philosophical background had a profound influence on his approach to economics.

Thus it takes someone well trained both in philosophy and economics to clarify numerous points in Veblen's thinking, approach, and analysis. This Daugert as a whole does rather well, and his book is to be much welcomed by economists. It is a pity that it is not longer and the analysis more exhaustive.

In order to better appreciate and understand Veblen's institutional approach to economics, the author has attempted to analyze the genesis and growth of Veblen's philosophical views and thinking, and to point out how the latter conditioned Veblen's economic thought. The influence of Kant, Spencer, Noah Porter, Bellamy, Jacque Loeb, Charles Pierce, William James, John Dewey, and others on Veblen is traced and explained.

The book helps one understand what Veblen was really trying to say and why he took the positions he did. One begins to see the blending and intermixture of the combined and interwoven, although not always clearly and consistently, philosophical, psychological, sociological, and anthropological approach to economics used by Veblen, or a broad social science approach if one wishes to call it such.

As a result no doubt Veblen analyzed many of the fascinating and very important subject matter areas which most economists tend to gloss over or exclude either through the use of restrictive and delimiting assumptions as to given data or as being outside of the proper realm of economics. Accordingly Veblen attacked very devastatingly all of the established theoretical schools of economic thought, especially the old hedonistic classical economics. He failed however to provide, in the reviewer's judgment, any genuinely adequate alternative theoretical system and set of analytical tools whereby the economist can solve problems of pricing, resource allocation, distribution, etc. He did offer certain tools for analyzing economic behavior, and the book throws light on their usefulness.

Executive Office of the President ERVIN K. ZINGLER

The Theory of Economic Change. By B. S. Kierstead. Toronto: Macmillan Co. of Canada, 1948. Pp. xi, 386. $5.00.

The author of this work, though with becoming modesty, has set for himself a highly ambitious task. He has undertaken to explore the theory of economic

change and, by setting up models of change, to develop a theoretical structure which will enable us on the basis of given assumptions to draw valid conclusions. It is true of course that in the real world the causal nexus of the conclusions must remain that of inference or probability, since it is seldom if ever possible to isolate all of the variable factors involved and to establish a calculable relationship for each. The validity of the conclusions becomes justified by the strength of the inferential evidence, that is, probability.

Professor Kierstead's main purpose, however, has not been to analyze the general theory of dynamic economics for its own sake. He is primarily interested in welfare or in promoting those processes of economic change which will lead towards socially desirable ends. What are these ends and how can they be determined? They require definition, but this must be made on the basis of the judgment and responsibility of a free people. In determining the process of social judgment, even at the risk of mistakes, there must be the full participation of the individual, the exercise of that rationality of choice which involves "complete awareness of the alternatives rejected."[1]

The book is divided into six parts. While the author recognizes in the preface that there is a certain lack of unity in these, in the opinion of this reviewer some of the most closely reasoned and scholarly chapters of the work are to be found in Part One—Some Fundamental Concepts—and Part Two—The General Theory of Economic Change. Here one finds a refreshing statement of the methods of inquiry available to the economist. The first, analysis, is restricted in scope because of the necessity of formulating assumptions that are difficult to prove. This limitation prevents the "development of the pure theory of economics into a predictive science." Equilibrium analysis, useful in a static model, is of doubtful validity when we are considering structural changes in the economic system. The second method, that of economic history, has the advantage of relating causal sequences in time but loses rigor and certainty. The multiplicity of events in history precludes the establishment of causation.

Economic change derives from a complex set of causes and in order to develop a general theory of change it is necessary to examine the major causes and their interrelationships. The entire schema of economic causation in all the processes of action and reaction must be analyzed. The institutional factors surrounding the economic system must also be explored. Professor Kierstead finds that the classical writers recognized the complexity of the causes of economic change and developed more or less systematic theories. Certain inadequacies, however, are to be found in the treatises of Adam Smith and Ricardo. Marx had a self-contained theory of economic development, but one that is marked by faulty analysis and preconceived conclusions. The Austrian economists reduced economic theory to a mechanistic system from which the "progress of society in wealth and welfare" was cut off. Professor Schumpeter stressed the complexity of causes of change, but by concentrating on one cause only, failed to develop a comprehensive theory.

In Parts Three and Four Professor Kierstead constructs models of change

[1] See Lionel Robbins, *The Nature and Significance of Economic Science*, p. 136.

which enable him to draw inferences concerning the effects of change from assumed conditions. Suppose that certain effects (welfare goals) are desired; these may be attained provided the necessary conditions are set up. Changes in the economy are made to operate through two forms or modes—(a) aggregate income and (b) the "real" mode under which alterations occur in the substitution of goods and factors, market structure, "the level of real income and welfare, and the real rates of reward." The Models in Part Three are applicable to the general economy; those presented in Part Four relate to the individual firm. In Part Five the author deals with problems of temporal shifts in location, while in Part Six he is concerned with Areas of Decision and Policy.

Professor Kierstead has made a valuable contribution to existing knowledge in the field of dynamic economics. He exhibits a scholarly grasp of the problems involved. Unfortunately, he has not escaped the same errors which he has found in the writings of the classicists and other economists. (One wonders, by the way, why Keynes was not included with Ricardo, Marx and Professor Hansen among the economists who have written in the "downswing phases" of long-run trends.) He has not proved his assumptions and the inferences of his models pointing toward stagnation, senility and the cessation of progress fall into the realm of speculation. Nor has he shown that advances in governmental planning and management will increase real income and welfare. His arguments indeed are perverse in that he has failed to show that freedom of choice and individual judgment can be preserved under a system of state control and the socialization of industry. But freedom and individual responsibility and judgment are the ultimate basis for the determination of socially desirable ends.

University of Virginia TIPTON R. SNAVELY

The Culture of Industrial Man. By Paul Meadows. Lincoln, Neb.: University of Nebraska Press, 1950. Pp. 216. $3.75.

Mr. Meadows is a prophet both of doom and of hope. He sees the forces disturbing our times as the "crisis of industrialism," which may be overcome in a new liberal state dedicated to "neo-industrialism." Unfortunately his definitions are hazy and his assumptions are rarely explicit. Consequently his book seems to this reviewer to lapse regrettably into Mr. Meadows' style, "both confused and confusing."

Its fundamental thesis is the now familiar one of the failure of our social and cultural framework adequately to meet the urgent requirements of an advanced industrial technology. The failure of industrialism is seen in conflicts of ownership, of labor and management, of the metropolis itself as the characteristic industrial community. Individuals find their motivations unmet and contradictory; the need for social organization (collaboration) in the industrial sphere is confronted with a diminishing capacity of interest groups to work together.

But hope is seen: "Industrialism is a mass culture in conflict; but trend lines are everywhere apparent, pointing in the direction of new routines of collaboration under the leadership of the liberal State. . . . The future of industrial man in political society depends upon the skill with which he encourages and exploits

the technology and technics of social invention" (pp. 148–149). "Neo-industrialism," as a protest against the concentration and enlargement trends on industrialism, is to be focused on decentralization—smaller, dispersed, more manipulatable technical and social forms made possible by electric power. Somehow the administrative (planning) agencies of the state are to be used to benefit the common man, in a renascence of a new liberal spirit.

Much of this has been said before, and more clearly; the diagnosis of our ills in particular resembles writings of Mayo and Mumford and their followers, to whom Mr. Meadows acknowledges debt. To the author our malady exists independently of the economic or political system under which we may happen to live. The conflicts of interest which tear at our world seem to be not the heart of our troubles, but somehow the consequences of the great trouble of concentration and enlargement which destroys men's abilities to work together.

The implications of this come clearer in those chapters of the book devoted to the future. Mr. Meadows spends some time describing how the state has been the instrument of control of society by one group or another, and how such "public policy" as we know has emerged from conflicts for such control. Rather than view this as healthy normalcy, the author implicitly regards this process as a symptom of ill health, and looks to a future of collaboration of groups for common goals. What the goals are to be is never stated, except in a vague sort of refurbished 19th century liberalism. How the administrative agencies to guide us in these paths are to retain their independence of the pushing and hauling of Mr. Meadows' interest groups remains unclear. To the reviewer, this kind of collaboration seems impossible, and the search for it may leave dangers for democracy itself.

Fisk University ALEXANDER J. MORIN

Employment and Equilibrium. By A. C. Pigou. 2nd ed. New York: Macmillan Co., 1949. Pp. vii, 283. $4.00.

The "dean" of "classical" economists has revised an important work originally published in 1941. The revisions, although indeed significant, are not extensive; they affect the substance by changing certain required conditions to "probable" on empirical grounds instead of "necessary," or deducible as stability conditions.

The argument employs systems of equations permitting treatment of a variety of models. The *quaesita* are the differences—with respect to employment, real and money income, investment, and the rate of interest—between two systems in equilibrium, when a difference is stipulated in, respectively, money wage rate, monetary conditions, the demand function for "labor for investment," labor productivity functions, and the supply function for savings. Also, employment multipliers and money income multipliers are derived. It is argued that, with any seriously advocated monetary conditions, equilibrium for two comparable systems with "fixed" wage rates requires greater employment in the system with the lower wage rate.

Under the influence of the "classical" rebuttal of Keynesism which this and other work of Professor Pigou has so greatly advanced, many will by now accept

this conclusion and even extend it to say that "full" employment will (under sensible monetary policy) come about in the absence of fixity in wage rates, provided the productivity of capital has not fallen to a "lenders' minimum" (that is to say, in the general case). But such students could even drop this proviso if they were able to accept Professor Pigou's stationary-state analysis: namely that, where the proviso does not hold, a condition of *nil* savings and full employment, with a positive rate of interest (equal to the rate of time preference), will necessarily be reached. This result depends upon a decline to zero of the "marginal amenity utility" of wealth—that is, the pride and security in *having* the marginal unit. The decline is to come through increase in the real value of cash balances as money income and product prices fall. Actually, although the "amenity utility" will thus approach zero, it is not evident that it will ever disappear, and herein lies a source of mental reservation. On the other hand, if it becomes negligible for motivation (and indeed it must continue to fall as long as it has not done so), Professor Pigou's result would seem to follow. It would be wrong to decide hastily against his position.

This book is not for the impatient, especially if they combine with impatience the lack of mathematical facility to which most of us must own. But it is important that the apparent decline in the prestige of Keynesian thought should not be merely another case of a theory's becoming "outmoded" because possibly temporary economic conditions have changed men's moods. This can be assured only if numerous students of economics eschew peripheral discussion and brave the struggle toward basic understanding. One rewarding effort in that struggle is a careful study of this work of Professor Pigou's.

University of North Carolina CLARENCE PHILBROOK

International Commodity Stockpiling as an Economic Stabilizer. By M. K. Bennett and others. Stanford: Stanford University Press, 1949. Pp. viii, 205. $3.00.

This is a valuable work. The staff of the Food Research Institute of Stanford University has accepted the limited task of evaluating the Commodity-Reserve Currency Proposal set forth in Benjamin Graham's *World Commodities and World Currency*, published in 1944. It must be admitted that not a great deal remains of Graham's proposal when it has been examined by Professor Bennett and his associates (Joseph S. Davis, Helen C. Farnsworth, Vernon D. Wickizer, Vladimir P. Timoshenko, Rosamond H. Peirce and Karl Brandt). But there is built up clearly and persuasively a modification of the original proposal which is very well worth the attention of all those interested in countercycle policy.

The modification was inevitable, and certainly serves as an effective evaluation of the Commodity-Reserve Currency Proposal. The latter included the proposition that an International Commodity Corporation should purchase surpluses of certain commodities, paying for them by transferring deposit credits at the I.M.F. which it would acquire by lodging promissory notes with that institution. Thus stocks of commodities would be monetized and the I.M.F. would have to be transformed for that purpose. Professor Edward S. Shaw of the Department of Economics has cooperated with the authors and contributes two chapters

examining this matter. Professor Shaw has no difficulty in disposing gently but firmly of the I.M.F. proposal, replacing it with the suggestion of a special institution, described as CRS (Commodity Reserve System), with a capital supplied by national quota contributions and with powers to borrow.

Two major features of the Graham proposal are retained however. It would be an international scheme. And it would deal in "commodity-units", that is to say, "basketfuls" of specified commodities in predetermined ratios; so that at the appropriate moment the CRS would purchase all of the commodities at once and not particular ones which happened to be especially weak. It is remarkable what a strong case the authors make out for this procedure, although, like Dr. Farnsworth herself, no doubt some readers will be left unconvinced.

The authors are thoroughly cautious in making proposals. Their CRS would be set up for the duration of one business cycle only; after that it could be remodeled in the light of experience; it would serve as one weapon, and perhaps a minor one, in a well filled countercycle arsenal. Indeed in the closing sentence of the text they claim no more than that, if an international countercycle conference were to be called, "discussion of a CRS would seem to deserve a place on the agenda" (p. 152). By their extensive and expert statistical work, the very careful inferences drawn from the data and by their eminently sensible moderation, these members of the Food Research Institute have certainly made the CRS a proper item for the agenda.

The many troublesome questions which arise in relation to commodity stockpiling are well known; but it may be said that a satisfactory grasp of all of them is advanced by this study. Thus the conditions which should govern the timing of both buying and selling operations by the proposed international stockpiling agency are expressed with some statistical precision, but an element of flexibility is suitably retained. Moreover, on the basis of 21 commodities found to be appropriate for inclusion in the "commodity-unit," an estimate is made of the resources which the international agency would need; many readers will agree that the figure reached, namely \$20 to \$25 billion, could be found readily for an agency commanding general confidence.

Professor Bennett and his associates insist that their CRS cannot function in the present period of transition between war and peace. They argue strongly, and it must be said with some little repetition of this and other points, that buffer-stocks must not be confounded with security-stocks. And in passing they give a most delightful political definition of "chronic oversupply" (p. 23). They admit frankly that the risk of over-accumulation of stocks by their CRS remains, though their proposals are framed to minimize that risk.

With great modesty the purpose of *International Commodity Stockpiling as an Economic Stabilizer* is stated to be the furtherance of discussion of international stockpiling as a countercycle weapon. This work can hardly fail in its object; it is likely to achieve more than that.

Oglethorpe University W. A. L. COULBORN

Le système monétaire de Bretton Woods et les grands problèmes de l'après-guerre. By Robert Mossé. Paris: Librairie du Recueil Sirey, 1948. Pp. 153.

Although written in French, this book is aimed at the English speaking reader, particularly the American, in order to present the current French viewpoint on the problems dealt with at Bretton Woods in the light of the developments which have taken place since 1944. Prof. Mossé was a member of the French delegation to the Bretton Woods Conference and has lived in the U. S. A. for several years.

After a thorough exposition of the Articles of Agreement of the International Monetary Fund, Prof. Mossé discusses the policies actually followed by the fund in its everyday existence, and proposes some changes in the constitution and practice of the organization.

Space does not permit evaluation of the criticisms expressed vividly and clearly in the first part of the book. The second part discusses in great detail the work of the International Monetary Fund and especially the difficult problems which led to the decision of the French government to devaluate the franc in 1947–48, against the advice of the fund. Prof. Mossé writes sympathetically of the efforts of the new organization to apply with some degree of flexibility the rigid rules set up at Bretton Woods.

More important from the point of view of the author are the suggestions he makes for changes in the constitution and policies of the fund. These suggestions are based on the conclusions that (1) actual international economic relations are and will be in a perpetual state of disequilibrium and (2) these relations take place between isolated national economies the foreign trade of which is controlled to a great extent (un ensemble hétérogène d'économies cloisonnées et nationalement dirigées). A consequence of this situation is the existence of permanently creditor countries.

In the light of these working hypotheses, the following suggestions are made:

(1) The fund should recognize the existence of exchange rates fluctuating between fixed limits.

(2) The fund should require the countries with scarce currencies to buy up the abundant currencies and use them for planned purchases of "additional" imports or investments.

(3) The fund should participate in the organization of monetary relations between groups of countries like the European countries whose economic features are similar.

(4) The fund should eventually integrate the different groups of countries in a general clearing system.

The validity of Prof. Mossé's approach then depends on whether future developments will bring international financial affairs closer into line with the preconceptions on which the fund is based, or closer to Prof. Mossé's assumptions. Up to now, the latter assumptions have, on the whole, been closer to the facts and the fund has accordingly been forced to operate in a world different from that for which it was designed. However, the question still remains of whether we must be resigned to Prof. Mossé's assumptions, or whether something closer to the situation for which the fund was designed cannot be achieved.

International Monetary Fund MICHAEL J. VERHULST

International Monetary and Financial Conferences in the Interwar Period. By Dean E. Traynor. Washington: Catholic University of America Press, 1949. Pp. ix, 196.

The author has presented a much needed treatise on the history of international monetary cooperation prior to World War II. Although primary attention has been given to the interwar period, this book does retrace the development of international monetary conventions prior to World War I.

This book will serve two very useful purposes. It will provide within a single source the details concerning world monetary and economic conferences during this important interwar period. A scholarly effort has been made to collect and arrange the many facts dealing with the various aspects of these monetary conferences. The economic situation leading to each conference has been described, and particular attention has been devoted to the dominant personalities involved in each conference. The entire book is orderly and well documented, for the author has used the verbatum records of the debates and resolutions of the conferences as published by the League of Nations for a major part of his source materials.

Besides providing this valuable history of these cooperative efforts in international finance, this book is an excellent summary of some of the major economic and financial problems that plagued the world during this particular era. In addition to giving the ideas of the author on these economic problems, this book summarizes the opinions of the experts who were actually dealing with those problems on an international level, and as expressed in the conferences or in preliminary negotiations. It is interesting to note the diversity in the attitudes of the representatives of the several countries attending the conferences with respect to particular financial problems involved. In a majority of the cases, there was little initial agreement as to what problems existed and as to what solutions were needed.

Although the author has attempted to indicate the accomplishments of the most important monetary conferences during this period, he has not been guilty of overgeneralization or dogmatic conclusions. It is always difficult to evaluate adequately the accomplishments of any effort as broad in scope as an international monetary conference, but the writer has tried to point out the accomplishments of each conference and also to point out prior objectives that were not accomplished. Little effort was made to look beyond the formal agreements to analyze the real effects of the conferences on the financial system of the world. The author's summary of the contributions of this era's financial conferences to international monetary cooperation indicates that few actual gains were made. This can be explained, according to the author, by the lack of continuity between the various conferences. It was pointed out that each conference was an independent effort without regard to what came before or what was to follow. The conference method, which resulted in recommendations to the governments involved, was not an effective way of solving monetary problems. Even though substantial agreement was reached within the conferences, the governments in-

volved did not always carry out the policies adopted, for the conferences lacked the power to enforce their recommendations. This obstacle will always exist as long as sovereign nations are involved.

This work, which analyzes the nature and accomplishments of the first real efforts at international financial cooperation, is an excellent background for those studying current institutions operating within this field. The organizations established as a result of the Bretton Woods Conference eliminate the author's primary objection to the conferences of the interwar period. The International Bank and the International Monetary Fund have been established as permanent organizations; this should give continuity to their efforts in the field of international finance. However, more than continuity is necessary for effective cooperation. The sovereignty of the member nations will limit effective efforts along these lines.

Louisiana State University W. H. BAUGHN

History of Economic Thought. By Lewis H. Haney. 4th ed. New York: Macmillan Co., 1949. Pp. xxii, 996. $5.00.

The fourth edition of this well-known history will be welcomed by teachers of courses in the history of economic thought and advanced students of the history of economics. The author has added 6 new chapters bearing the following titles: Wicksell and the Swedish School, the Development of Business Cycle Theory, Monopolistic and Imperfect Competition, Keynes and his Policies, General-Equilibrium Economics and Econometrics, and a Synthesis. He has also attempted to outline the main developments in economic thought in the United States since 1920 and in Europe since 1915.

The inclusion of the chapter on Wicksell is commendable because of his influence on Keynes, Hayek, and Hicks. Wicksell's natural rate of interest was akin to Keynes's marginal efficiency of capital and his analysis of the relation of the loan rate of interest to the natural rate was undoubtedly a contribution to the theory of income distribution. All business cycle theories are divided into two general classes—of the overproduction and underconsumption types. The contributions of Hayek, Hawtrey, Carver, Harrod, Pigou, Schumpeter, and Robertson are stated. The author believes that the theories of the five last named men and his own analysis of price-volume relations could be synthesized to provide a valid theory of business cycles.

The chapter on Keynes is probably the best. Although avowedly anti-Keynesian, Haney has managed to give Keynes's doctrines fair treatment and to appraise judiciously his vast influence on contemporary economic thought. Keynesians no doubt will find the interpretation of Keynes's theories wrong in some details and will take exception to the criticisms of their master's doctrines, gleaned from many sources, which are listed. Some economists will probably resent being classified with reference to their acceptance or rejection, complete or partial, of Keynes's theories.

The development of general-equilibrium economics is traced from Jevons and Walras down to Robertson and Hicks, but less than two pages are devoted to

econometrics. Contributions of general-equilibrium economics to economic science as well as its serious limitations are pointed out. Monopolistic and imperfect competition theories are severely criticized. The author contends that monopoly theory cannot provide a theory of value in an economy where free individual choice obtains and that economics must rely on the existence of impersonal competition if it is to remain a science. The reviewer questions the propriety of including the brief chapter entitled, A Synthesis, outlining the author's own theory of value and distribution. The accounts of recent developments in European and American economic thought are very brief. A serious omission is the failure to observe the rôle that the politico-economic doctrines of Lenin and his followers played in spreading communism and socialism throughout Europe and Asia.

In fine, the fourth edition of Professor Haney's book is an excellent compendium, well suited for use as a textbook by advanced students in courses in the history of economic thought.

Mississippi State College LEWIS J. CAREY

Economics of Business Enterprise: A Study of the Firm in the Aggregate Economy. By George J. Cady. New York: Ronald Press Co., 1950. Pp. x, 452. $4.50.

This new text should be welcomed by those who teach economic theory above the elementary level. Professor Cady has drawn material from a wide number of sources and has succeeded in integrating it into a well balanced body of theory. Moreover he has combined the micro-approach to economics with the macro-approach in such a way as to give the student a conception of the significance of the various parts of the economic system in their relationship to the whole.

The author begins his study with the concept of the income flow. In this connection, the entrepreneur occupies a strategic position, since the decisions as to production, output and price are made at the level of the individual firm in a capitalistic economy. Thus the money income flow on the one hand and the output of goods and services on the other are largely the result of the decisions of the individual entrepreneurs. Consequently, the author devotes over half of the book to an analysis of the output and price policies of the individual firm, under conditions of pure competition, monopoly, monopsony, and monopolistic competition. The tools of analysis are the familiar demand curves, both industry and firm, marginal cost curves and marginal revenue curves. Competing firms have differential cost curves which consist of that part of their marginal cost curves lying above the average cost curve (p. 85). The supply curve for the entire industry consists of the disconnected segments of these individual cost curves. This method of analysis becomes significant with respect to price stability, price collusion and the entry into, and exit, of firms from the industry. Where the industry demand curve cuts one of these segments, price and output tend toward stability, but where the industry demand curve cuts through a gap in the industry supply curve, the tendency toward instability and price collusion is considerably increased.

Throughout his analysis, the author places emphasis on the interdependence of prices, price instability, collusion and price agreements between producers,

and the effects of the operation of dynamic factors. Attention is also given to bilateral price making, in which the entrepreneur is interested both as a buyer and as a seller. Exploration is made into some of the nooks and crannies of the price system which are not usually covered in current texts. The treatment of price fixing where profit is not the prime motive and of joint production is interesting, while that of multiple production breaks new ground.

On the other side of the picture, the entrepreneur as a buyer of productive services, provides the money incomes of consumers. Wages paid to labor are a result of balancing marginal revenues against marginal costs on the part of the entrepreneur. Here, pure competition rarely prevails. Usually there are either monopolistic or monopsonistic elements present. Sometimes monopsony on the part of the entrepreneur is pitted against monopoly on the part of labor unions. The latter situation produces a kinked supply curve for labor and contributes to unemployment.

Rent is defined as "the earning of capital, per some unit of time, per physical unit of capital." Enterpreneurs bid for capital on the basis of their estimates of the future net earning power. Interest is treated as "the payment for the use of loan funds." Discrepancies between the rate of interest and expected net earnings of capital influence the decisions of entrepreneurs as to investment and disinvestment.

Entrepreneurial uncertainty, the existence of monopoly and monopsony, price collusion, etc. serve to keep the entire economy in a more or less chronic state of unbalance which varies in degree from mild to severe disequilibrium. The variations of the business cycle are pictured as the result of shifts from mild to severe disequilibrium and vice versa. For such an economy, Professor Cady outlines a program for various groups such as unorganized consumers, organized consumers, organized labor, organized business and the government. It is doubtful if all the suggestions made will appeal to these groups. Particularly, the field outlined for governmental activity is hardly broad enough to appeal to the more ardent state planners.

One merit of the book is found in the fact that the author is very careful to state his assumptions and to recognize the limited validity of the conclusions drawn from them; a virtue not possessed by all writers in the field of economics. The book is also profusely illustrated with geometric diagrams which add to the presentation, though in the mind of this reviewer it would add to the student's ability to grasp their meaning in a few cases, as on pages 147 and 152, if the nature of the curves had been indicated.

Virginia Polytechnic Institute B. O. MILLER

Competition Among the Few: Oligopoly and Similar Market Structures. By William Fellner. New York: Alfred A. Knopf, 1949. Pp. ix, 328. $3.75.

This book, an examination of the economics of fewness, is an attempt to develop, as the author states, ". . . a general framework suitable for *asking* the questions with which realistic inquiries must be concerned." Thus, two limita-

tions from the outset are indicated. First, no claim is made to having developed a generalized theory of value. The analysis is limited to the value problem for conditions of oligopoly, oligopsony and bilateral monopoly, with special emphasis upon those cases where present value theory yields, at best, indeterminate results. Second, no attempt is made to discover the final answers to exchange-value questions as related to the specific cases examined. The author limits himself essentially to a statement of a suggested analytical framework which he feels may serve as the basis for additional deductive analysis and as a proper starting point for new empirical research.

Therefore, the value of the book depends upon three criteria: (1) the existence or non-existence of a workable sub-classification of the different industry situations of fewness, (2) the ability of the developed analysis to indicate and relate the important variables which might affect each industry situation and (3) the usefulness of the framework in adapting itself to the possibility of testing any derived conclusions by way of empirical research. Due to the nature of the underlying variables which the analysis indicates are important for the cases considered, it seems doubtful if quantitative or even qualitative empirical research could accurately test the derived conclusions of deductive reasoning based on the author's analytical framework. In the light of the first two criteria, however, this reviewer believes that the author has made a definite contribution to the prevailing theory of exchange-value.

The author's sub-classification for industry situations of fewness is notable for emphasizing the distinction between (1) situations of fewness based on real cost advantages, (2) situations of fewness based on real cost disadvantages which are outweighed by other advantages and (3) situations of great numbers possessing some of the characteristics of fewness due to agreement enforced by an outside agency. It is suggested by this reviewer that a further distinction between industries producing consumer goods and industries producing producer goods might have been useful.

For the cases considered, the author replaces the usual assumption of maximization of individual firm profits with a concept of joint maximization of industry profits, subject to certain important limitations. Furthermore, within the critical range where price and output policy is established, demand and/or supply schedules in the usually accepted sense do not exist, and any marginal analysis loses its usefulness. The author's primary constructive contribution resides in the ability of his developed analysis to indicate and relate four new varaibles (pp. 24–33) which when analyzed in their effect upon the cases examined, will lead, in the majority of cases, to determinant industry and firm pricing and output policy.

The style of the book, while somewhat repetitious because of the nature of its organization, is very lucid, and should prove to be of real value to those who are interested in the further development of economic theory.

Washington and Lee University HUGH K. HAWK

Income of Society. By Elizabeth Ellis Hoyt. New York: Ronald Press Co., 1950. Pp. xii, 753. $4.50.

"This book for students of elementary economics places economics in a social setting" (Preface p. iii). Throughout the text Professor Hoyt lives up to this statement. Discussions of individual or specific economic concepts usually lead to a discussion of the wider national and even international economic and social results of the phenomena. The consumer is given much more attention than is the case in most books of this type. "Wants" are given a long chapter in keeping with the importance that the author attaches to psychological and social factors throughout the book. This is illustrated in the following quotations. "To understand national income and its significance, it must be regarded from three different points of view: (1) how and by whom it is produced, (2) how income is shared or divided among the people, and (3) to what uses is the income put" (p. 4). "All economics depends on the factors involved in choice making, which determine the degree to which consumption of different types takes place" (p. 34). There is an effective discussion of what are called the four essentials involved in choice making: (a) wants or interest, (b) purchasing power, (c) time (and energy to use a good), and (d) physical availability of goods.

The text is divided into five parts, I: Creation of Income; II: Price; III: The Modern Market (this is the problems section); IV: Division and Use of Income (labor, agriculture, government finance, housing, health, and the standard of living are among the subjects included here); V: Economic Progress (A general summary and evaluation). Labor and agriculture are placed in Part IV because the labor and farm movements in the United States are considered by the author to be primarily efforts to change the division of income among persons.

The following characteristics of this book will be of interest to teachers:

1. A relatively small amount of space is given to the different types of business units and to the economics of the individual firm.

2. Demand and supply, and the determination of the market price under conditions of competition are treated rather briefly in 3 short chapters (21 pages in all), one of which is an introduction. Price determination under monopoly and under the 3 different price periods is given 11 pages. Monopolistic competition is discussed in a later chapter (11 pages) in the problems section of the book. This adds up to a relatively small total of 43 pages devoted to price determination in a book of 753 pages. The price determination discussion that is given is well handled, however, and this text may be welcomed by teachers who think sophomores are not ready for the somewhat more detailed and rigorous treatment of price determination found in many elementary texts.

3. Three chapters (38 pages) are devoted to the business cycle, and four chapters (56 pages) are given to international economics.

4. The emphasis upon the consumer interest and the social setting might possibly lead some to think that this is a somewhat ultra-liberal or "leftish" book. On the contrary it is neither. The treatment of the consumer and the social setting is done in a quite orthodox manner. A reading of the chapter: The Business Cycle: Remedies and Controls, will dispel any notion that Professor Hoyt is a radical of any kind.

5. The role of government as a producer and distributor of income is well presented.

6. Although the title, *Income of Society*, might seem to suggest the Keynesian-income approach of books like the text by Tarshis, this text definitely does not use such an approach.

Income of Society impressed the reviewer as a carefully written book based upon much experience in reaching and teaching students of economics. This text could undoubtedly prove to be a satisfactory one, especially in courses where the general social science approach is used.

Texas Technological College VERNON T. CLOVER

Elementary Economics. Leland J. Gordon. New York: American Book Co., 1950. Pp. xxx, 576. $4.50.

Dr. Gordon in writing this book had primarily in mind the creation of a text suitable for a core program for beginning college students. As secondary purposes he wanted a text that would prepare the student for intermediate economics, and which would be suitable for women and professional students who are more interested in consumption than in production economics. The text adequately fulfills these objectives.

The text covers an amazing amount of territory, some of it in great detail. In addition to the usual basic principles the text covers much of the material normally considered in texts in consumer economics and introduction to business; namely the purchase and sale of shelter, household operation, buying clothing, buying and operating the family car, buying education and recreation, and keeping the family well, topics important in family economic life but ignored in most elementary texts.

Dr. Gordon organized the book from the consumer point of view. It starts with an analysis of the individual's wants, followed by an analysis of the economic functions of the family. He next takes the family budget and explains how our economy is organized to provide food, shelter, clothing, and all the other items of the budget. Principles are introduced functionally as the individual moves from the retail to the wholesale, to the processing levels, and finally to the extraction of raw materials. The treatment of supply and demand and the pricing process is particularly good. Dr. Gordon undertakes to explain the pricing process at each of the four levels of production beginning with the retail.

In his treatment of wages, interest, rent, and profits as income from the consumer point of view, he omits much of the history of distribution theories and much of the usual terminology, substituting in its place rich descriptive material and detail of particular industries and situations. I like his supply and demand explanations for beginning students.

This book is a welcome addition to the sadly short list of texts suitable for a core or general program. The book is broad in its coverage, free and easy in its style, and very readable. It should be easily understood by beginning students. Each of the chapters has many examples, illustrations, graphs, and charts, which make the principles quite clear, and which should motivate the student since they deal with experiences with which he is familiar.

North Georgia College LORIMER B. FREEMAN

The American Economy in Operation. By Horace Taylor and Harold Barger. New York: Harcourt, Brace and Co., 1949. Pp. xiv, 846. $4.75.

This book is the latest of a series of attempts to provide a suitable textbook for the course in contemporary civilization in Columbia University and, evidently, for similar courses elsewhere. The strongest features, according to the authors, are that it provides (1) an "analytical description of our economy in operation; and (2) the treatment of various aspects of the economy in terms appropriate to the mixture of both economic and political elements which they contain." The course of instruction which was the inspiration for writing the book is conducted by the departments of economics, government, history, philosophy, and sociology. The book was written by members of the department of economics.

Viewed in the light of their purposes in writing the book, the authors have achieved a high degree of success in their undertaking. The authors state that the book is intended to serve as "an introduction to both economics and political science" and that students wishing to go further in the study of economics should "proceed directly to an intermediate-level course in economic theory."

And this advice as to the sequential course in economic principles is appropriate, since the book avoids reference to most of the principles and technical terms usually found in introductory textbooks in economics. Since the book provides most of the descriptive and informational content contained in most introductory textbooks in economics, the sequential course in economics would deal entirely with economic theory.

The phases of our economy described in the book include the economic resources of the nation, the national product and national income, the organization and control of production, conflicts of economic groups, the system of money and credit, public finances, our part in the world economy, and certain social controls in our economy. On the whole, the description is accurate and as comprehensive as would be feasible in such a book. One might be inclined to say that several parts of the book are scholarly as to treatment and execution. This being true, it would be unfortunate if some students on the sophomore level should find it rather heavy reading.

Mary Washington College of the University of Virginia JAMES HARVEY DODD

The Regulation of Industry. By Dudley F. Pegrum. Chicago: Richard D. Irwin, 1949. Pp. xii, 497. $4.75.

This is a thoughtful, comprehensive text on anti-trust problems. Especially noteworthy is a succinct exposition of our legal institutions and their significance for government policies in this sphere. The resources of economic theory are not fully exploited; however price policies receive much attention, and brief theoretical treatments of common costs and differential pricing are welcome novelties in a book of this sort.

Dr. Pegrum is tolerant of freight absorption and non-price competition, he ignores the effect of price discrimination on the ability of buyers to survive, and

he can say that "in most respects modern business is more competitive than ever before." At the same time he is distrustful of the aggregation of economic power, whether by business or by government. Giant corporations should be curbed, in his opinion, by the continuous intimate regulation of a rehabilitated Federal Trade Commission. To forestall the need for governmental economic planning is the keynote of the book.

Although well written, *The Regulation of Industry* contains few concessions to the limited familiarity of undergraduates with the English language. Specific instances of business practice rarely are developed in detail. For both reasons, it is questionable if the tyro will grasp the force of Dr. Pegrum's discussion. Fortunately, the second difficulty may be met by supplementing the text with series of case studies such as now are available in book form.

University of North Carolina FRANK J. KOTTKE

Readings in Labor Economics. Edited by Francis S. Doody. Cambridge, Mass.: Addison-Wesley Press, 1950. Pp. viii, 481. $3.75.

This is a very valuable compilation of 35 stimulating articles on labor economics (in contradistinction to labor problems). It should prove particularly useful to the teacher blessed (beset) with large enrollments, enabling him to assign articles formerly found only in learned journals (most university libraries having only a few copies of these, at best). These articles are all scholarly and well written. Typical of what is to be found are the following: Factors Affecting the Trend of Real Wages, by Alvin H. Hansen; Wage Differences in Local Labor Markets, by Lloyd G. Reynolds, The Economics of Minimum Wage Legislation, by George J. Stigler; Has Collective Bargaining Failed? by George W. Taylor; The Economics of Wage-Dispute Settlement, by John T. Dunlop; Some Reflections on the "Labor-Monopoly" Issue, by Richard A. Lester; Problems of Industry-Wide or Regional Trade Agreements, by David A. McCabe; Are We Becoming a Laboristic State? by Sumner H. Slichter; The Theory of Union Wage Rigidity, by Joseph Shister. Most of these articles were culled from the *American Economic Review*, and a few from the *Monthly Labor Review;* one was taken from the *New York Times Magazine*.

In regard to the selection of articles, it might be regretted that neither Arthur M. Ross' "The Trade Union as a Wage-Fixing Institution" nor summary articles of the famous Lester-Machlup controversy on marginal productivity were included. Also to be regretted is the exiguity of the index. The contributions are grouped under 13 different headings: the theory of labor organization, wages and productivity, the form of wage payments, wage differentials, minimum wages, causes of strikes, extent and nature of collective bargaining, industry-wide bargaining, union security, problems and trends in collective bargaining, union wage policies, wages policy and business cycles, and social security. Each of these sections forms a unit unto itself. Professor Doody, as editor, has confined himself to the compilation of the various articles and to a brief preface. This might prove to be a handicap for those readers having only a limited acquaintance with labor economics. On the whole, however, the articles have been well chosen

and fit in well together. It would be difficult to find anywhere else such a timely series so conveniently gathered within one book. Although not suitable as a textbook, this volume will provide a handy reference to both teachers and students, especially those interested in wage theory.

A final word about the physical presentation of the book: it has been photoengraved, and because of this process the typographical mistakes found in the original articles have not been corrected. For the same reason, too, the variety of printing types occasionally gives the book a somewhat discordant appearance.

University of Florida LEON A. DALE

Problems in Labor Relations. By Benjamin M. Selekman and others. New York: McGraw-Hill Book Co., 1950. Pp. ix, 672. $5.50.

The authors of this welcome and impressive addition to the Harvard Problem Books state that the central thesis of their work is that "collective bargaining must be studied as human behavior." From such a viewpoint, the three principle ingredients of labor relations and collective bargaining are clearly and convincingly identified as "problems, procedures and people." It is to a clearer understanding of these three factors and to a more intelligent analysis of their relationships in alternative, dynamic social structures that this book makes a significant contribution.

The book is a collection of authentic cases and, as such, becomes another natural target for the critics and skeptics of the case method of instruction and learning. But in this area of labor relations a particularly impressive stand may be taken for the student doing his own thinking, making his own decisions and, in short, experiencing "in the classroom the realities of collective bargaining in operation."

Since labor relations is such an emotion-packed problem area, it is always difficult and usually futile to *tell* students anything contrary to their own preconceived notions or earlier experiences. During the discussion of an impersonal, yet realistic case history, however, questions are raised and doubts are sired. Yet the students do not feel that they have been told a certain attitude or action is either right or wrong. Their own evaluation of each situation becomes their own experience and is a comfortable companion to have around in future periods of decision.

The cases in the book are grouped into two major categories. The first, appropriately labeled "Problems in the Shop," focuses upon the internal shop community within which the day-to-day problems of collective bargaining arise. The place of the foreman and shop steward in periods of transition, wildcat strikes, discharge, overtime, seniority, job evaluation and incentive wages constitute an illustrative sample of the problems dealt with in this group of cases.

The second category, "Problems at the Bargaining Table," describes the institutional relationships between the union and the corporation. These relationships are recognized by the authors as "adaptive mechanisms" and the eight alternative types they have set up shade from "the structure of containment-aggression" at one extreme to "the structure of cooperation" at the other. In

these cases, the student sits in on, and, it is to be hoped, participates in the give and take, action and reaction which characterize the numerous sessions finally culminating in the signing of an agreement.

In addition, a third group of cases traces developments for a number of years in order to present problems of adaptation over a considerable period of time. For example, the record in the Bartolo Brothers case reveals problems of conflict and cooperation as they develop from 1940 to 1948.

The collection includes cases dealing with 32 different companies and ranging from three pages to around 70 pages in length. The longer cases are typically divided into a number of logical units of more workable size for purposes of analysis. At the end of each case, or unit, the authors have inserted several discussion questions. These will be particularly helpful as suggestive points of departure for the instructor who may be using this casebook, or perhaps cases, for the first time. Each experience in class with these cases may be expected to add substantially to the list of discussion questions appropriate to each case when it next appears in the classroom.

University of North Carolina ARTHUR M. WHITEHILL, JR.

Economics of Labor and Industrial Relations. By Gordon F. Bloom and Herbert R. Northrup. Philadelphia: Blakiston Co., 1950. Pp. x, 749. $5.00.

This book contains an exposition of current labor union structure and policy and their implications for the market wage determination problem.

The analysis of labor market relationships is dominated throughout by the marginal productivity approach. However, the authors have modified the conventional marginal productivity pre-suppositions in order to fit the theory into the frame of reference provided by monopolistic competition and oligopoly.

The authors have sought to define the term "exploitation" in a completely objective, non-invidious manner. The payment of any wage which amounts to less than the marginal revenue product of labor is defined as exploitation. A very sharp distinction is thus made between an exploitative wage and a sub-standard wage. An interesting analysis of the inter-relationship between discontinuous demand curves and wage exploitation is presented on page 320 (Figure 11). By way of antitheses to their own concept of wage exploitation, the authors present a summary exposition of the Marxian concepts, absolute and relative surplus value.

The inter-relationship between technological labor displacement and demand elasticity is analyzed in a very adequate manner. The author's conclusions in this respect seem to the reviewer to be unexceptionable.

Of special interest to southern readers is the analysis of southern wage differentials as compared with the West and the North. The conclusion seems to be that this wage differential problem would not be solved by the imposition of a system of minimum wage differentials.

With many reservations, the authors' verdict is on the whole favorable to the role played by labor unionism in this country—particularly with respect to the control of labor wage exploitation. However, they view with uneasiness union

direct restriction upon technological progress and their asserted tendency to raise money wages more rapidly than the increase in the output per man hour would warrant. They are partial to the transmission to the economy of the gain from rising technological efficiency, in the form of commodity price reductions (real wage increase), rather than in the form of continuous and rapid increase in money wages.

In dealing with cyclical unemployment, the authors note the time-honored difficulty displayed by capitalism in achieving the full utilization of human and material resources. They regard this deficiency, however, as the more or less unavoidable price of economic freedom.

If one were to criticize this excellent book it would be by way of pointing out sins of omission rather than commission. It seems to the reviewer that the authors might well have devoted a chapter to the analysis of the *capitalistic machine economy*, monopoly, cyclical fluctuation and labor unionism.

Mercer University A. BRUCE ANTHONY

Financial and Operating Characteristics of the Municipal and Cooperative Distributors of T. V. A. Power. By Edward J. Neuner, Jr. Knoxville: Division of University Extension, University of Tennessee, 1949. Pp. vii, 115.

This is a study of 92 municipal corporations or departments of incorporated municipalities and 46 cooperative organizations which purchase and distribute energy generated by the Tennessee Valley Authority. Figures are for the fiscal year ended June 30, 1947.

The power contracts entered into by the wholesale purchasers of electric energy enable the TVA to retain a considerable amount of control since they stipulate the rates at which the energy will be resold and require a uniform system of accounts and reports. Municipal distributors must keep their accounts separate from those relating to general municipal activities and funds must not be withdrawn for general government purposes from the associated electric system.

The 4 largest municipals (Chattanooga, Knoxville, Memphis, and Nashville) occupy a dominant position among the distributors, accounting for 36.1 per cent of the total number of customers and 49.1 per cent of operating revenues. Other municipals serve 36.3 per cent of the customers and receive 34.3 per cent of operating revenues. Cooperatives have 27.6 per cent of the customers and receive 16.6 per cent of operating revenues.

The municipals, in general, are conservatively financed and operate profitably. Approximately one-seventh have no debt, half have capitalizations with less than 40 per cent debt and almost three-fourths have less than 60 per cent debt. Even those with high debt ratios have sufficient earnings to cover their interest requirements safely. Approximately 64 per cent of these organizations produced net revenues before interest equal to 10 per cent or more of their investment funds. Some 56.5 per cent have secured 40 per cent or more of their total capitalizations through the retention of past earnings.

Cooperatives are much less conservatively financed and their high debt ratios result in fixed charges that are difficult to meet. However, since these enterprises

were established largely to provide electricity to rural customers who might not otherwise have received service at rates within their command, their success is not measured in financial terms alone.

Southwestern at Memphis RALPH C. HON

Sugar: Its Production, Technology, and Uses. By Andrew Van Hook. New York: Ronald Press Co., 1949. Pp. ix, 155. $3.00.

This is another volume of the publisher's Humanizing Science Series. The purpose of the book is to present: "a reasonably well-rounded picture of the entire field of sugar." The author hopes to reach three groups: (1) "those in professional, scientific and educational activities who desire a better knowledge of the facts about sugar"; (2) "research workers who are concerned with the uses of sugar and its by-products"; and (3) those actually engaged in the complex and specialized fields of sugar production and marketing—such as farmers, processors, refiners, chemists, and brokers, "each of whom, although well acquainted with his own specialized activity, is frequently unaware of the contributions of others in the industry." This purpose is pursued by considering the following topics: the chemistry of sugar; the production and refining of cane and beet sugar; world commercial and trade aspects; recent and anticipated by-products developments; and, finally, the history of sugar.

The author, a professor of chemistry, has developed an excellent presentation of the chemistry of sugar, and the technological aspects and implications of sugar production and its uses. The chemistry and technology can be followed by the interested layman. The section on commercial and trade aspects presents many new facts, but very little analysis. The chapter on the history of sugar will be welcomed by most of the three groups the author hopes to reach; however, it is not well integrated with the balance of the work.

Due to the reviewer's interest in the impact of technics on resource use, the changing technological developments were followed with fascination. Of particular importance is Van Hook's statement that pressures growing out of the shortage of labor in the United States beet fields during the war produced technological developments with the result that competition with cane sugar is now possible on an economic basis. The developments which reduced much of the handwork include more accurate planting and subsequent machine blocking, and the introduction of segmented seed which largely eliminated the thinning process. Also of interest to the economist, and of major importance to that industry, is the possibility of increased by-product utilization as a partial solution to the seasonal operation of sugar manufacturers.

The publishers overstate the contribution of this book by indicating that the reader will find the answer to: "How price order in the industry was established through international regulation?" *Seven* pages of *facts* are devoted to this topic, which many students have investigated and about which a vast amount of material has been written.

Sugar: Its Production, Technology, and Uses is recommended to readers of this Journal "who desire a better knowledge of the facts about sugar."

University of North Carolina OLIN T. MOUZON

A Concise Economic History of Britain: From the Earliest Times to 1750. By Sir John Clapham. Cambridge: University Press, 1949. Pp. xv, 324. $2.75.

This interesting and authentic history originated in part from Sir John Clapham's famous lectures to Cambridge undergraduates. He developed it with the third volume of his *History of the Bank of England.* At the time of his death, March 1946, Books I and II had been completed. Book III was with the typist. Book IV, to be finished by Professor W. H. B. Court, was in the embryo stage and will be published as a companion volume at a later date. Professor John Saltmarsh prepared the material of this text for the printer.

Book I, From the Earliest Times to A.D. 1100, has three chapters, one on Prehistoric Britain, one on the Roman Era, and one on Saxons and Normans. Book II, From A.D. 1100 to A.D. 1500, has two chapters, namely, Agriculture and Rural Society and Trade and Industry: Public Policy and Economic Doctrine. Book III, From A.D. 1500 to A.D. 1750, has four chapters: Britain in the Early Modern Period, Agriculture and Rural Society, Industry, Gilds and Trade Clubs, and Trading Companies, Finance and Public Policy. Each of the 9 meaty chapters has a detailed table of contents. Chapter V, for instance, has 10 main subdivisions. These subdivisions have 61 topics; the first alone, Merchants, Gilds and Craftsmen, contains 14 topics. Each sub-topic, moreover, is located by a page reference.

The index, however, is not analytical. The book also lacks maps and bibliographies. Footnotes are sufficiently numerous and supply in part the lack of bibliographies. They, moreover, aid in tying the discussion together by reference to preceding or subsequent material.

The reviewer likes the book. He admires the ability of the authors to compare as evidenced on pp. 62, 79, 173, 234, 270, 303 and elsewhere. He also likes the use of contrasts as on pp. 68 and 192. He likes the use of crisp terms as "very able, if unattractive, administrator" applied to King John (p. 175) and "an expansive King and that was much" applied to Edward III (*ibid*). He enjoys irony, "paper money not having yet come to bless Europe" (p. 185). He admires the power to summarize: "Then came war, victory, the Covenant, defeat, with Oliver crying 'now let God arise' before he charged at Dunbar and Scottish prisoners shipped to the plantation" (p. 269). Literary allusions also please the reader. The book begins: " 'When Britain first at Heaven's command arose from out the Azure main' is not easy to say" (p. 3). With reference to the persecution of the Jews we read: "The Jewish goose was now too hungry and too much worried to lay many golden eggs" (p. 140). And a Biblical allusion now and then stimulates: "There was no need for a freeman of the City to serve seven more years, like Jacob, if he wished to change his trade" (p. 256).

Many readers, including the reviewer, like the strong or suggestive statements as: of Roman tools "wonderfully good" (p. 35), Calleva's "no doubt ghost-and-devil haunted ruins" (p. 37), "population tends to accumulate in rather big blobs along the watercourses" (p. 51), "the holdings must not be atomized" (p. 100), Thomas Lombe's "surreptitiously picked Italian brains" for his pioneer throwing mill at Derby (p. 226), "Captain Cook and other strong seamen were

bred up" (p. 233), "Who first said that his serges were silky is not known—probably not an Englishman, certainly a liar" (p. 244), "Spanish nuns learnt to wear heretical fabrics" (p. 253), and "What became of the girls apprenticed into 'literal slavery' until the age of twenty-one with the milk-sellers? They were not often those charming young persons in bright frocks cut low at the neck who appear in colored prints of 'the Cries of London!' Theirs would be other crying" (p. 305).

University of Kentucky WALTER W. JENNINGS

The Market for College Graduates. By Seymour E. Harris. Cambridge: Harvard University Press, 1949. Pp. xiv, 207. $4.00.

Professor Harris analyzes the employment outlook of future college graduates and reaches the unpopular conclusion that it must become increasingly disappointing since present and prospective college enrollments will provide more graduates than the economy can possibly absorb into the desired positions. This may well lead to earnings of college men and women which are lower than those of manual workers, although in the past college education has been found to pay. Professor Harris, however, does not necessarily suggest that future college enrollment should be curtailed, since democratization and extension of higher education can be defended on other than occupational grounds. Youth, however, should be told that the number of professional and other coveted positions will be small in comparison with the number of students participating in higher education.

The employment outlook is judged on the basis of statistics indicating the number of college graduates and the probable number of openings in the various desired occupations. The number of college graduates in the economy is estimated to increase from approximately three million in 1940 to 10.6, 12.6 or 14.5 million in 1968, depending whether college enrollment is maintained at the present level of about 2.5 million or raised to the levels of 3.2 or 4.6 million as proposed in The Report of the President's Commission on Higher Education. If 70 per cent of these graduates were to be employed in the professions, as was the case in 1940 according to a survey by Time magazine, the number of professional openings would have to double or triple. This Professor Harris thinks unlikely, since the total labor force will increase only moderately.

The analysis of the individual professions reveals even greater discrepancies. The medical profession in 1940 numbered only 235,000; in 1968 it would have to rise to a minimum of 1.1 million if it were to absorb 11.1 per cent of the college graduates as it presumably did in 1940. The legal profession would have to employ from 3.5 to 4.8 times as many as in 1940 and the number of teachers would have to become at least 3.3 times as large (p. 94). Such increases obviously cannot be expected and the percentage of college graduates which can find employment in these coveted positions must therefore fall. If some professions engage in "restrictionism" which "is not a vice of the medical profession alone", the occupational plight of excluded college graduates will be so much greater.

Professor Harris's contention that the present college program will be of

direct occupational value for only a decreasing proportion of the growing enrollment can hardly be assailed, although his statistical analysis may be vulnerable on various grounds. The population forecasts he uses, for example, may be as far off as those of the National Resources Planning Board, which underestimated the population growth between 1940 and 1950 by as much as 50 per cent. Federal and local governments may in the future spend more on education than is foreseen at this time when armament outlays weigh heavily upon our budgets. His computation of required openings is based on the assumption that 70 per cent of all college graduates are to be engaged in professional pursuits, which is admittedly an overestimate since this percentage is to be applied only to the occupationally active college graduates, excluding the considerable proportion of married women who withdraw from the labor market. The rich material presented, however, should leave little doubt that sooner or later our educational system will have to be reexamined in the light of the occupational needs of the country.

New School for Social Research ALFRED KÄHLER

Theory in Marketing: Selected Essays. Edited by Reavis Cox and Wroe Alderson. Chicago: Richard D. Irwin, 1950. Pp. x, 340. $4.50.

Contrary to the title of this book, it contains neither a clearly defined body of theoretical marketing concepts nor an exposition of the development of theory in this field of study. Rather, it is a symposium consisting of a series of 20 essays relating to certain areas of theory which, in the opinion of the editors, have significant implications for the study of marketing.

The essays are grouped under 4 headings. Under the first, certain marketing concepts that have been developed in other disciplines are discussed. Under the second, analysis is made of the application of theoretical economic concepts to the study of marketing, and under the third the relationships between economic theory and public policy are considered. In the final section, 5 contributors attempt to refine and to sharpen into more precise tools of analysis the concepts that are used in the study of marketing. Professor McGarry's analysis of the functional approach which appears in this section will be of particular interest to marketing teachers.

Space limitations make it impossible to review even superficially this series of essays. Most of the concepts will find ready acceptance, but some may be debatable and others may require further analysis and elucidation. Since it is impossible to include in a book of this type all or even any large number of the contributions that have been made to marketing theory, full agreement cannot be expected on the selection of materials. It is disappointing to find in the first book to appear under this title, however, that no summary has been made of the development of commonly accepted marketing concepts, and that no evaluation has been made of the contributions of different writers to this development. The failure to give so much as a footnote reference or an index citation to such authors as Beckman, Clark, Converse, Maynard, and Phillips, to mention but a few of those who have written "Principles" books and numerous articles,

and the failure to give little more than passing reference to such names as Borden, Lyon, Tosdal, and Weld, again to mention but a few names, may lead to certain misconceptions. Unless the Preface is read carefully—and too often it is not—these omissions and brief mentions may lead some readers to conclude that no theoretical contributions have been made by the better-known writers in the field, or that such contributions these persons might have made were not of sufficient importance to be included in the pioneer book on marketing theory.

In general, however, a reasonably good balance of materials has been obtained, and a worthwhile contribution has been made to marketing literature. The essays included in this book will have particular interest for marketing teachers and advanced students who seek a broader base for the study of marketing.

University of North Carolina C. H. McGregor

Marketing Research Practice. Edited by Donald M. Hobart. New York: Ronald Press Co., 1950. Pp. ix, 471. $5.00.

The title and format of this book prepare one for a standard text in marketing research but it is found to be, instead, a detailed presentation of the techniques developed and practiced, during the past 38 years, by the research division of the Curtis Publishing Co. While nearly three-fourths of the pages are devoted to these matters, there is an all too short (from the teacher's point of view) summary of the history, organization, functions, and established methods of marketing research and a concluding section of case studies intended to illustrate the application of specific Curtis procedures.

In spite of multiple authorship from within the Curtis staff, good editing has reduced to a satisfactory minimum the faults typically accompanying such writing. This is further evident in the excellent selection of tables, charts, and form illustrations.

The principal usefulness of this book would seem to be as a desk reference in the daily practice of marketing research. The limited survey of general principles and the rather light treatment of the analysis of costs, prices, sales, and market trends make it less attractive for use in the class room. Many teachers would consider the lack of reading references to be a further defect.

The pioneering contributions of Charles Coolidge Parlin and the long and varied experience of the Curtis research staff justify the publication of this book. The acknowledged high quality of Curtis studies will assure its popularity.

University of North Carolina C. S. Logsdon

Problems in Marketing. By Malcolm P. McNair and Harry L. Hansen. New York: McGraw-Hill Book Co., 1949. Pp. xiv, 718. $6.00.

Marketing teachers will find that this case book contains several welcome revisions. While the book is still made up largely of cases, the authors have added several pages of introductory material for the text as a whole and for each of the separate sections. In the opening chapter of 25 pages, they have done an excellent job of summarizing the scope of marketing activities as well as orienting the student to the case method of study. To emphasize the analytical approach,

the authors take a case and illustrate how essential it is to break large problems into proper sub-divisions and to arrive at solutions on the basis of facts and logical reasoning.

The introductions to each of the 9 sections of the text are about 5 to 7 pages in length and highlight for the student major issues to be taken up in succeeding problems. This is a most desirable addition for it clarifies for the student the objective of each section and insures an understanding of the logic behind the sequence of problems.

For the book as a whole, the authors have made only one major revision in respect to subject matter. A section on Marketing of Agricultural Products and Raw Materials has been added. Marketing teachers will recall that such a section appeared in the Copeland and Learned marketing case books but had been excluded from *Problems in Merchandise Distribution* by McNair, Learned and Teele. This return to a commodity division is justified by the authors on the grounds that there are problems of distribution and pricing peculiar to the marketing of agricultural products. No attempt is made, however, to cover the area of government regulation of commodity prices. The 11 new cases on the marketing of agricultural products have in large part replaced 15 cases dealing with specific problems of marketing under war time conditions. These 15 cases had long since served their purpose and their elimination is a most desirable revision.

For those who are statistically minded, the new *Problems in Marketing* contains 107 cases. Sixty-one of them represent reproductions or revisions of earlier cases. It is interesting to note that 4 of these cases are from Copeland's first case book dated 1920. The 46 new cases appear to be excellent additions. Exceptions include the Weather Advisors Inc. and DeLuxe Record Company cases. Perhaps there is a place in the marketing problems course for a case on the pricing and selling of a service such as weather forecasting, but it seems reasonable that a more realistic or representative illustration could have been selected. Of the many types of services that are being marketed today, one more familiar and beneficial to the student might have been chosen. As to the DeLuxe Record Company case, which illustrates the problem of merchandising a record on which a hypnotist has recorded an act used to put people to sleep, all one can say is that the field of hypnosis is about as far removed from normal business problems as one could go.

On balance, the text is a reasonably good revision. A number of deadwood cases have been eliminated and others containing errors and weaknesses have been improved. The marketing teacher will quickly recognize that the retained cases are those that have been used with the most success in the past. A blanket criticism that can be directed at the cases, new and old, is the presence of ambiguous statements, inadequate data and a few minor errors (e.g., p. 40, "markup . . . . . .is a percentage of net sales"). These shortcomings are enough to necessitate rather ingenious assumptions on the part of both student and teacher. No doubt it is desirable for the cases to simulate business conditions where not all facts and figures are available. But to force numerous and seemingly

unwarranted assumptions upon the student results in frustration and skepticism on his part. The case method of teaching has considerable merit but it must strive for realism to achieve maximum value.

University of North Carolina KENNETH R. DAVIS

Effective Selling. By George Edward Breen and others. New York: Harper & Bros., 1950. Pp. viii, 278. $3.00.

This is a text designed for college students. When a new text appears in a field where several good ones already exist, the major question is, wherein does the new differ from the existing ones. *Effective Selling* has a three-fold answer.

First: half, or maybe a little more than half, of *Effective Selling* is not devoted to the principles, methods, or techniques of selling at all. The authors feel that college students, taking courses in selling, are interested in the field as a possible vocation. Students want to know about opportunities, problems, personal qualifications, and how to get a selling job. This text answers many such questions in chapters concerning Selling as A Career; The Importance of Salesmanship; Selling at various (Manufacturer's, Wholesale, Retail) Levels; Choosing an Employer; Selling One's Services, and Mistakes of a New Salesman. There is even a chapter on Meeting the Immediate Supervisor and Fellow Workers.

Second: following each chapter there are one or more (40 in the book) cases to generate discussion. They are taken from actual sales situations and are of such nature that they will undoubtedly serve well as springboards for group talking and thinking.

When "extras" are put into a book, something "usual" must be left out—especially in a book of less than 300 pages in a field where most of the leading texts run about 500 pages. *Effective Selling* devotes only slightly more than 100 pages to the basic principles and methods of selling. The authors regard this brief, rapid treatment as an (the third for us) advantage. Instead of taking up the first parts (or steps) of a sale early in a term and getting to the closing of sales weeks later, this condensation helps "the students see the sale as a 'package' and (they) can grasp the true unity of selling methods."

For those who regard this as too much condensation, and, for those who would use supplemental assignments under any circumstances, this text includes a bibliography following each chapter. The references are in an overwhelming majority of instances to other texts on selling. Four of each 5 references are to 11 well established books. This heavy concentration of references to 11 volumes gives a small number of titles, but makes the parallel use of any one, or more, of these books quite easy. Of the 11 books appearing frequently in the bibliography, 5 were published in the last 5 years (using the 1949 edition of Russell and Beach rather than the 1941 edition referenced by these writers).

Multiple authorship does not effect the continuity of the text. The writing is lucid and the work does contain examples to make the authors' points clear. In spite of dividing the sale into 5 steps (approach, appeal, explanation, persuasion, and close) and correlating these steps with 5 buying steps (favorable atten-

tion, recognition of need, investigation of goods' ability to satisfy want, conviction of desirability of product, and buying) the writers remind readers regularly that the actual sale is not pulverized into parts. For example, ". . .it is not necessary to finish one selling step before beginning the next. Usually the steps are carried on simultaneously."

Many instructors will find a place for this book in their introductory courses.

University of Florida FRANK GOODWIN

Advertising: Text and Cases. By Neil H. Borden. Chicago: Richard D. Irwin, 1950. Pp. xiii, 1050. $6.00.

This book is a revised and enlarged sequel to the author's 1937 *Problems in Advertising*. Its objective is "to provide a selection of business cases for those who wish to study advertising by the problem or case method." Emphasis is on training the top managers of the future in using advertising economically and effectively. The student is introduced to predicting, controlling, and measuring the results of advertising, but not to advertising techniques. Advertising is conceived to be one tool of the business executive; it is one element in the distribution plan and, because it is affected by the other variables of the marketing program, it cannot be studied apart from the over-all business situation. There are problems on industrial and on consumer products but none on retailing.

Nine sections make up the book: (1) use of advertising by business; (2) stimulating primary demand; (3) stimulating selective demand; (4) building promotional programs; (5) institutional advertising; (6) selection of media; (7) accounting and statistical control; (8) measurement of advertising efforts; and (9) advertising agency relations.

Sections 2–9 are from the 1937 edition and get about the same relative emphasis if not the same sequence. Two sections disappeared from the 1937 version, one on field surveys and the other on technical matters of presentation. The outstanding innovation of the 1950 book consists of 10 chapters of "declaratory" material. Two of these constitute Section 1 and treat *advertising* and *demand*. Each of the remaining 8 is a lead chapter for one of Sections 2–9. The 10 chapters of "text" total 156 pages. They replace many of the suggested collateral readings found at the beginning of the sections in the 1937 edition and provide background and guidance helpful to the student.

The 1950 edition runs to 1050 pages instead of 698. Its 88 cases average about 50 per cent longer than the 104 cases in the 1937 book, even allowing for the two new cases that run 50-odd and 60-odd pages. Because of the larger page size and better quality of paper, the new edition has more eye appeal than its predecessor. Whereas only some cases in the 1937 book had questions at the end, all cases in the new book guide the student with one or more questions. There is no bibliography in the current edition, but sources of additional information are included in some footnotes. Two-thirds of the cases are new or revisions, and many are taken from the middle and late 1940's.

The book is sound and well organized. Its market is in graduate or advanced undergraduate courses in schools which offer several courses, some technical,

in advertising. Because text material has been added to the cases, the new book is more acceptable than the older one for courses offered at the undergraduate level.

This reviewer asks four questions: (1) Why is no mention made of the authority and responsibility of the advertising manager, and of the location and functions of his department in the advertiser's organization? (2) Why are the creation of brand names and trade marks, and the creation and use of trade characters not proper concerns of top management? (3) When only two cases are included in the section on advertising agency relations, why should one be devoted to a proposal to set up a "house" agency? (4) Why shouldn't textbooks on advertising for college students be like advertisements to college students, written for maximum ease and speed of comprehension?

University of North Carolina CHARLES A. KIRKPATRICK

Standards and Labels for Consumers' Goods. By Jessie V. Coles. New York: Ronald Press Co., 1949. Pp. viii, 556. $5.00.

This book lives up to its title. It purports to be a study of standards and labels for consumers' goods. The title is a descriptive label which lives up to the expectations of the reader. Extraneous materials have been scrupulously avoided. According to the preface this book is directed at, "all who are concerned with the better marketing of better consumers' goods, to consumers as individuals and to consumer organizations, to farsighted producers and retailers, to teachers of marketing and home economics, and to advertisers and their agents." Students of economic theory might also read this volume with profit since it is an excellent monograph on imperfect competition.

The first 3 chapters are devoted to a brief but cogent discussion of consumers and their problems. Among the problems mentioned is that of maintaining and developing further consumers' freedom of choice. In order to make intelligent choices the consumer needs information. Without usable information which consumers can use on the market, they lack the means of realistic consideration of price and quality competition among consumers' goods. This leads naturally to the introduction of the discussion of attaining accurate labels based on accepted intelligible standards for consumers' goods. After 3 chapters on "Labels for Consumers' Goods," the study proceeds to analyze the meaning of grades and standards and how they are used. Six excellent chapters take up the question, "How We Get Standards." The first 18 chapters provide an excellent discussion, explanation and analysis of labels, grades and standards. With the aid of apt illustrations and excellent documentation of sources, Professor Coles clarifies the meaning of standards and the process of standardization. The reader will gain a new appreciation of the difficulties involved in getting a standard established as well as a realization of the consumers' need for the assistance that standards can supply.

The experience of Canadian consumers and producers under compulsory grade labeling is described in Chapter XIX. In the same chapter, the question of compulsory labeling in the United States is introduced. The point is well

made that since "well-known and nationally advertised brands of canned fruits and vegetables in the United States are marketed with grade labels on them in Canada, "these same companies could probably sell their products on the domestic market on the basis of similar grade labeling. Advertisers and advertising agencies might well ponder the evidence presented in support of the conclusion that compulsory grade labeling in Canada has not lessened the value of the brand name in advertising a product. The pros and cons of compulsory grade labeling are discussed in a highly diverting manner in Chapter XX.

The remaining 4 chapters of the book present data and discussion relating to the present status of standards and labels for consumers' goods in the United States. The reader will be impressed by the objective treatment of controversial issues concerning labels, grading, and standardization. The general emphasis of the whole book favors more information for consumers in their efforts to select and purchase consumers' goods. Professor Coles' discussion of labeling and standardization differs from other writers in frankly estimating, admitting, describing and charting the difficulties involved in agreeing upon consumer goods standards, getting them accepted by producers, and finally making the standards operate on the market in the consumer interest. In spite of the difficulties involved and the controversial nature of the problems encountered, evidence is cited in support of the thesis that the use of grade labels and standards for consumers' goods is expanding.

This is a scholarly, excellently documented book. It could be written only by one who has a wide and thorough acquaintance with the scattered literature on the subject as well as a clearly defined personal interest in advancing further in such a study. The author gave the basic outline of the current book in her *Consumers and the Market* which was published in 1938. In a sense, the current volume is an expansion of that earlier excellent work. *Standards and Labels for Consumers' Goods* is a real contribution to the slowly expanding literature on specific problems confronting consumers in the United States.

University of Alabama PAUL W. PAUSTIAN

Cases in Credits and Collections. By Theodore N. Beckman and Schuyler F. Otteson. New York: McGraw-Hill Book Co., 1949. Pp. xv, 369. $4.50.

"This is a book of cases, not problems in credits and collections." Such is the opening statement by the authors in the preface. In these 369 pages one will find 60 carefully selected and assorted cases covering a wide variety of subjects common to the field of credits and collections. The cases are short, seldom exceeding 5 pages. They are written in a manner similar to cases in a law text. The beginning of each case gives a general background of the company in question emphasizing the company's credit or collection policy. Illustrations are used liberally. A specific case or two is then presented for discussion and decision. The student, after reading the case, is given the decision of the credit manager of the company in question. The authors then ask two or three short questions to guide the discussion and study of the case.

The decision of the credit manager may or may not be correct or the only

solution to the problem posed. In any event, the student has to make an evaluation of the case and support his decision. The book and its cases attempts to show the need for a student to use his imagination, to think clearly, and to see the broader aspects of the question involved in credits and collections rather than contend with only a problem in a case. A further attempt is made to illustrate sound credit policy through the cases. It is the reviewer's opinion that the book accomplishes these objectives.

The material does not deviate from principles. It is practical and realistic and very much up to date. Newer developments in the field such as floor financing of inventories are handled adequately. Older types of problems like consumer installment credit and bankruptcy procedures are given a greater and more thorough emphasis than usual.

Using the book in connection with a text on principles of credit or as a supplement to a course of principles should prove valuable to both student and instructor.

Emory University JAMES H. DORNBURG

Taxable and Business Income. By Dan Throop Smith and J. Keith Butters. New York: National Bureau of Economic Research, 1949. Pp. xxv, 342. $4.00.

Whether or not, in an economy in which income taxes are the dominant source of governmental revenues, there are strong presumptions supporting the use of a definition of income for purposes of taxation which is identical to that of the "best" accounting practice, or vice versa, may be a moot question, but there can hardly be any doubt concerning the broad significance of a knowledge of the specific divergences, both conceptually and empirically considered. This volume, under the sponsorship of the National Bureau of Economic Research, has two major objectives, first, "to describe the differences underlying the concepts of book profit and taxable income," and second, "to determine the quantitative significance of the divergencies." It is to be noted that there is no intent to impute to either concept the attribute of being "right" or "wrong."

In Part One, which comprises almost exactly half of the book, the authors treat the two concepts. Recognizing the fundamental and original dependence of the amount of net taxable income on regular accounting practice, and hence the possibility of exaggerating differences, and recognizing further the somewhat ambiguous quality of the concept of business income, they address themselves to the description of the more typical and significant causes of divergence. They find these causal factors to be, among others, differences in timing, and in charges or credits to surplus; differences in the basis for determining gain or loss and for depreciation or depletion; differences in the treatment of depreciation and depletion, of inventories, of bad debts, of interest, of purchase and retirement of bonds, of bond premium and discount, and miscellaneous inclusions or deductions. Changes through time in both concepts are outlined.

In Part Two, statistical techniques are applied to sample data, (a) "to determine the aggregate differences in the amounts of income reported under the

two concepts," (b) "to examine, from the same viewpoint, the components of net income," and (c) "to measure the relative importance of the deviations caused by each component." Three samples are employed. Sample I consists of the *Reconciliation of Net Income and Analysis of Changes in Surplus* schedules in the tax returns of 505 miscellaneous medium-size corporations for the year 1936. This sample is analyzed minutely, with some 15 individual sources of divergence, in the main gross income and deduction items, being recognized. Sample II comprises corporations whose income tax returns can be matched with their Forms 10 and 10K filed with the Securities and Exchange Commission during 1934 to 1937. Sample III consists of the statutory and book profit figures reported by corporations during the eight year period 1929 to 1936. The number of firms in this sample ranges from 1,873 in 1930 to 3,392 in 1936.

The conclusions reached cannot be given in a very few words, hence must be omitted from this review. The authors indicate the specific considerations which dictated their choice of data. Perhaps it is proper to say that they used the only data available. While one may wish that more recent data might have been used, the reviewer surmises that the results would have been of about the same sort. The statistical techniques employed in this study appear to be adequate and apt. Inferences drawn are judiciously stated, with no unwarranted rigor being imputed to them.

It is doubtful that accounting and legal specialists who are erudite students of some particular field, as, for example, accounting practices in the non-ferrous metals industry, will learn much from this study of direct import for their special problems. But it is also doubtful that any such specialists can read this volume without a considerable broadening in their backgrounds, and without a favorable tempering of their understanding of contrary notions or the problems of the fellow on the other side of the fence. General readers should find here the most comprehensive and authoritative treatment of the subject matter involved. It may be said that those who have occasion to use or appraise statistics concerning the national income will also find this study to their advantage.

Students of income tax structure or fiscal policy, and policy makers themselves, will not find in this book a ready-made answer to their problems. They will not be told precisely how income should be defined; they will not find an obvious definition which will permit the maximization of gross national product, or investment, or the certain attainment of high level, stable income. But it seems to be possible because of this work to estimate with greater confidence the impact on some particular industry or sector of our economy of some contemplated revision in the definition of taxable income.

In short, there are to be found in this study certain foundation stones of fact and logic which are essential in making a structure which is economically defensible and intellectually habitable.

Davidson College A. G. GRIFFIN

Depreciation. By Eugene L. Grant and Paul T. Norton, Jr. New York: Ronald Press Co., 1949. Pp. xii, 472. $5.00.

This book might well be titled "The Case For Lower Taxes and Higher

Depreciation Rates." It does an excellent job along both lines, while pointing out our accounting defects and the need for presenting facts in terms of current purchasing power. The case for depreciation is convincing in both its illustrations and conclusions. The authors' observations indicate wide experience with the financial problems of top-management.

The problems created by price-level fluctuations, and their effect on fixed capital are given reasonable attention from the engineering, accounting, statistical and management standpoints. The economic implications are comparatively slighted.

Two intensely interesting chapters deal with Britain's experiences with high income taxes and low depreciation rates. Reports of the "working parties" (representatives of labor, management and the public) set up in 1945, on recommendation of Sir Stafford Cripps, are pointed and convincing. This part of the book is well titled "The Public Interest." Its objectivity and superb documentation establish the conviction that it can happen here if the same path is followed.

The "working party" reports represent a case study of "technological stagnation in Great Britain." Their repeated references to low worker productivity, the significant lack of competition among producers and the general low efficiency of British industries have all been duplicated in the report of the recent British commission sent to this country to survey our foundries. Lack of competition has led to Britain's plant and equipment obsolesence, a situation which a touch of our anti-trust legislation might improve. The crux of the matter, as pointed out in the book, lies in high income taxes and low depreciation rates, cited from the country's tax laws.

Based on the assumption that there is little prospect of reducing the federal budget, the authors warn of the necessity for plans which will steer us from the British path of industrial stagnation. The general line of thought is greater depreciation (and hence tax) aid to small new producers, and to large producers where new ventures require substantial investments in plant and machinery. In the latter case, research would be aided, and in all cases the government would be "going along" with producers now, in order to reap later tax rewards in expanded American industry.

The concluding "Proposals for Improvement" cover some 30 pages of comment, criticisms and recommendations. This well-done technical book has an excellent public message which those responsible for our tax laws cannot afford to neglect.

University of Florida HENRY G. HODGES

Introductory Accounting. By George R. Husband and William J. Schlatter New York: Pitman Publishing Corp., 1949. Pp. xiii, 695. $5.00.

This book utilizes the traditional approach of many introductory accounting texts for the presentation of basic bookkeeping and accounting techniques. The sole proprietorship is used to acquaint the student with the accounting cycle of analyzing transactions, journalizing, posting and statement preparation. Special columns and special journals are well presented.

The more complex net worth sections and the particular problems of partner-

ships and corporations are covered only after the student has become familar with sufficient techniques to enable him to concentrate on these special features.

Bonds, notes, manufacturing, accounting and pertinent business procedures and papers are covered adequately without devoting an unduly large part of the book to these topics. Two chapters are devoted to the analysis of financial statements with emphasis on the use of the statements and the analyses. In general, there seems to be enough material in this book to enable, perhaps even to require, the instructor to exercise judgment in the selection of topics he might wish to stress and others which he might pass over more rapidly. This is particularly true if the courses are offered on a quarter rather than semester plan. The book therefore is suitable for use with two quarter or two semester introductory courses. It is probably not as appropriate for a one semester course, but then a one semester introductory accounting course is probably not appropriate either.

In addition to a very adequate and in many instances excellent coverage of the customary introductory accounting topics, this book has a number of special features. Three matters of considerable importance in accounting practice which are seldom found in introductory texts are well presented in this book and deserve individual mention. These matters are: (1) reports other than the basic financial statements including graphic presentation, (2) taxes and payroll procedure, and (3) mechanical aids in accounting. The inclusion of these topics is a welcome correction of the usual disregard for three very practical and necessary features of practice. Unfortunately but obviously the 1950 reporting forms (Forms 450 and 941) for payroll taxes could not be illustrated since the book was published last year.

The authors recognize throughout the book another often ignored fact by emphasizing that there are many practical expediencies in accounting. These practices may vary to a greater or lesser degree from accounting "principles." The preface states and the text supports the concept as expressed by the authors that "principle, however, is always the standard against which such departures (practices) must be judged." The text, illustrations, and problems conform to this idea. There are a very considerable number of good short and medium length problems and two practice sets, all of which seem to be very practical.

This book is the first of a new series in accounting to be issued by Pitman under the very capable advisory editorship of Professor Robert L. Dixon of the University of Michigan.

Atlanta Division, University of Georgia William R. Hammond

Corporate Finance and Regulation. By Chelsie C. Bosland. New York: Ronald Press Co., 1949. Pp. vii, 529. $4.25.

In this book Professor Bosland has made a serious attempt to do something with a situation which has troubled all teachers of corporation finance in recent years. The beginning student, somewhere at the sophomore or junior level, is typically offered a course in the financial problems of the corporation in a capitalistic economy. Sometime later he may take a course in government and busi-

ness, trusts and monopolies or in some more generalized aspects of public control. Often he omits these courses and leaves school with a viewpoint which is quite out of line with the world of business as it has come to be in present-day America.

Professor Bosland undertakes to compress the essentials of private corporation finance and operation and government policy, existing and prospective regarding corporations, into a book of approximately 400 pages adapted to the needs of a semester course for the beginning student. In the opinion of the reviewer he has done an amazingly good piece of work. In 20 well written chapters he has presented both policy and technique relative to the formation and operation of the business corporation. He has considered problems of capitalization, security marketing, dividend policy, business failure, and business growth. Then, turning to a realistic interpretation of government regulation, he has indicated how the businessman of today must come to terms with public authority. The integration of corporation theory with specific statements of typical situations is one of the outstanding features of the book.

For the school which must offer a one-semester course covering the whole field, Professor Bosland has met the need in more effective fashion than has been done in any recent work which has come to the attention of the reviewer. However, one may well raise the question whether it really does a service to business education. It is difficult to defend the growing tendency to offer more and more specialized courses rather than broad-gauge well integrated studies of a whole major field. Bosland's plan spread over 1,000 pages and directed toward a two-semester course would be a major contribution to the teaching of corporation finance in American universities.

Stetson University J. RAY CABLE

Corporate Finance: Principles and Practice. By Milo Kimball. Ames, Ia.: Littlefield, Adams & Co., 1949. Pp. 305. $1.00.

This book was prepared for college student use and is intended to serve "as a guide and connecting thread to the mass of material available" in the field. Its usefulness is enhanced by questions and supplementary readings for each chapter. Instructors will doubtless disagree as to the suitability of this type of material. Properly used it should aid the student in understanding the subject and in finding related discussions in more complete works. For the student who is tempted to rely exclusively on this brief treatment of a technical subject the results will be disappointing. Though not addressed to the general reader the book should prove particularly useful to anyone who desires an introduction to the basic principles of corporation finance. Here he will find a succinct and interesting explanation enlivened by frequent illustrations from corporate practice.

The 22 chapters of this small volume cover much of the traditional material of corporation finance presented from the managerial viewpoint. For a discussion of the place and importance of the corporation in the economy, the problems of corporate regulation, and the policies and procedures essential to effec-

tive public control the reader must look elsewhere. Space limitations have permitted little elaboration of such significant recent developments as term lending, the private placement of securities, the sale of securities by competitive bidding, and the doctrine of absolute priority as developed in bankruptcy reorganizations. These limitations are produced by the modest character of the book. The author expects the student to consult also standard texts on corporation finance.

University of Kentucky RALPH R. PICKETT

Production and Welfare of Agriculture. By Theodore N. Schultz. New York: Macmillan Co., 1949. Pp. xi, 99. $3.50.

In this book Professor Schultz examines present agricultural policy and emphasizes two basic objectives that in his belief should characterize such policy. These two objectives are: (1) the allocation of resources in such a way as to obtain the greatest efficiency in production and (2) the distribution of income so as to secure a maximization of social efficiency. He states that our agricultural policy has suffered from a failure to separate these objectives. Marginal analysis furnishes the criteria for appraising the first; general welfare, the second.

The book is divided into 4 parts: (1) objectives of policy; (2) efficiency, stability, and progress; (3) economic development and policy; and (4) international economic relations.

Part I examines the objectives of agricultural policy and emphasizes the need for distinguishing between means and objectives. It further elaborates on the two objectives—production and welfare—the two columns upon which "the broad arch of American agricultural policy should rest. . . ." Chapters on equality for agriculture, the family farm, and public grazing complete this section.

Part II contains three chapters that examine existing beliefs as to efficiency, stability, and progress, respectively.

Part III gives attention to changes in economic structure, costs, and capital rationing as related to tenancy. A short but critical appraisal is given of various agricultural programs and the ideas of Professor Schultz are presented under the heading "positive proposals."

Part IV explores international aspects of agricultural policy giving special consideration to our wartime experiences in foreign trade. A closing chapter that deals with concealed dumping indicates the likely consequences of our present policy in the years ahead.

The contents of this book are of interest to economists and to policy makers alike. Commendable are some of the ingredients for sound policy formulation found in: (1) the distinctions between means and objectives, (2) the emphasis on agriculture as a part of the political economy, (3) the extent to which underemployment is a major problem in agriculture, and (4) the emphasis on the chronic nature of the farm problem. It is timely at this point in our agricultural policy when national attention is being directed to our farm problems that attention should be focused on these fundamentals.

Those who have read the various articles serving as a basis for much of the

material presented, however, are likely to conclude that no new frontiers of knowledge are marked by this book. The material presented lacks integration rambles at times, at other times contains some little duplication, and in places the data would have benefited from being brought up to date. While it is commendable to direct attention to the concept of welfare, there is little indication that criteria or techniques are presented by Professor Schultz that are suitable for taking agriculture beyond his "minimum requirements" concept which gives the impression of being advanced in trial balloon fashion. Although the author holds our economy subject to "social control," the reviewer looked in vain for an institutional framework that would serve as the basis for such control.

Farm Credit Administration MARTIN A. ABRAHAMSEN

STATE REPORTS

ALABAMA

Industrial production in Alabama in January 1950 showed substantial recovery from the fourth quarter 1949 slump which resulted primarily from work stoppages in steel and coal. The index of industrial production, prepared by the University of Alabama's Bureau of Business Research, stood at 189.9 per cent of the 1935–39 average month at the end of January. This level of production was substantially the same as that of January 1949 when the index was 188.5. However, the first quarter of 1950 as a whole received a serious setback in February when the state's bituminous coal industry virtually came to a standstill as the result of a strike in that industry. Despite impressive stockpiles in some sectors, the stoppage had a depressing effect upon the production of pig iron, steel ingots, and coke, three items of considerable importance in the production index. Under the impact of this situation, the February index slumped to 156.2. While complete March data were not available at the time of this writing, preliminary estimates indicate that production activity at the end of the first quarter was at or near the January 1950 level.

First quarter manufacturing employment, while reflecting substantial improvement over the last quarter of 1949, was an estimated 6.2 per cent below that for the corresponding period a year ago. This is part of a fairly steady decline in manufacturing employment which has been in progress for the past two years. One interesting feature of the decline is the fact that during the past year it has virtually all taken place in the durable goods industries. The level of estimated employment in the nondurable goods industries has shown remarkable stability.

It is worth noting that there was some indication of increased productivity in the industrial sector of the state's economy during 1949. For example, while industrial production remained approximately stable from January 1949 to January 1950 (actually a gain of 0.7 per cent was made), this was accomplished with 6.2 per cent (13,600) fewer workers. It is probable that this crude means of indicating a productivity change understates the change that actually occurred, since the index of industrial production is heavily weighted with durable goods activity and the employment estimate includes both durable and nondurable goods workers.

A recent analysis, based on data from the Census of Manufactures for 1947, shows clearly that Alabama's manufacturing has become increasingly diversified. The diversification has become more marked with respect to both industry and area. The 1947 data show that textiles, lumber, and primary metals are still the "big three" of the state's industries, as they were in 1939. However, they accounted for only 65 per cent of the total number of production workers in 1947 in contrast to 73.5 per cent in 1939. Moreover, in 1947 these industries contributed only 55.6 per cent of the value added by manufacture as compared with 60.7 per cent for the earlier year. Jefferson County (in which the Birming-

ham metropolitan district is located) continued to employ almost one quarter of the state's production workers in 1947 as it did in 1939. But it contributed only 31.4 per cent of the state's total value added by manufacture as compared with 42.9 per cent in 1939. The industries of the state which grew most rapidly (in terms of number of workers and value added) between 1939 and 1947 were machinery (except electrical), transportation equipment, and furniture and fixtures.

University of Alabama LANGSTON T. HAWLEY

FLORIDA

With the two main elements—citrus and tourism—leading the way, Florida's economy during the first four months of 1949 was in prosperous condition. Orange prices, which hit a 20 year peak of $6.36 per box on the auction markets during the second week in March only to fall back some 25 per cent a month later, were still above last year's prices despite an increase of 2,000,000 boxes in the crop. Several stabilizing factors in the industry accounted for this. Higher standards for marketing fresh fruit were laid down by the 1949 legislature. Florida Citrus Mutual had won a substantial footing in the industry with 8,600 grower members controlling over 90 per cent of the crop, and more than 500 associated handlers, including 54 canners and concentrators, 234 fresh fruit packing houses, and 222 independent cash buyers.

Most important of all has been the tremendous growth of the frozen concentrate business which now consumes about 30 per cent of the total orange crop. This last development, which bids fair to increase in future years, has already sharply curtailed the operations of many canneries in the state engaged in packing single-strength juices. Several concentrators, backed by investment capital from outside the state, have acquired grove properties and plantings to hedge against future price and output variations. This move toward integration and the generally high citrus prices have generated a boom in grove properties with producing groves selling for $2,500 to $3,000 per acre.

From the standpoint of numbers all indications were that Florida enjoyed one of its greatest winter tourist seasons. An estimated 4,700,000 people visited the state in 1949 and the continued growth of the summer tourist industry may well push the 1950 totals even higher. Tourist spending was below previous years in spite of the larger numbers, according to all reports. This was especially true at the night clubs, the more luxurious hotels, and the specialty shops; but restaurant, motel, and tourist court business held up well.

Despite the fall in tourist spending, the receipts from taxes on betting at the race tracks was only slightly under last year. Other major state taxes—gasoline, automobile licenses, alcoholic beverages, cigaretts—all produced more revenue in the first nine months of the 1949–50 fiscal year than in the same period a year ago. Rate increases voted by the 1949 legislative sessions accounted for most of the increased liquor and cigarette taxes, but not the others. Minor taxes such as those on estates, utilities, documentary stamp transfers, and insurance premiums were also 10 per cent to 20 per cent above last year for the first three quarters.

Factory employment in this state increased during the early months of 1950 over last year, again largely due to the citrus concentrate industry. The Florida Industrial Development Council, a group of the state's leading business executives appointed by the governor, was working closely with various state agencies and university research bureaus to attract more industrial plants to the state to give a better balance to the economy of the state.

University of Florida C. H. DONOVAN

GEORGIA

General business activity in Atlanta and Georgia was at a high level during the early months of 1950. The index for Atlanta, published monthly in the *Atlanta Journal*, stood at 249.9 in February, .7 of a point below the January figure, but 6.1 points above the February, 1949 level. The composite index of business activity for the state as a whole, compiled by the Bureau of Business Research of the College of Business Administration, University of Georgia, reached 176 in January, the highest since 1946. Indications are that this high level will carry through at least until midyear, as virtually all factors in the economy remain strong. Textile production, for example, rose to 146 as compared to a low of 95 last July. Homebuilding in the Atlanta area, according to Bureau of Labor Statistics, reached new levels in January and February, and showed promise of developing into boom proportions as spring arrived. Retail sales in Georgia independent stores in January were up 8 per cent over last year, as compared to a 2 per cent increase in retail sales for the entire nation. However, it should be noted that most of the gain was by automobile dealers, whose sales were 25 per cent above last January, and department stores, which showed an increase of 6 per cent. Significant drops occurred in several lines, including eating and drinking places, down 10 per cent, the general apparel group, down 11 per cent, and jewelry stores, down 59 per cent from the previous year.

The trend in new business incorporations in Georgia during 1949, in line with the national pattern, continued downward. There were 1,087 new business incorporations in the state during 1949, as compared with 1,295 in 1948 and 1,879 in 1946, the postwar peak year.

The World Trade Council of the Atlanta Chamber of Commerce has issued a World Trade Directory, listing the manufacturers and commercial firms in Georgia interested in or engaged in exporting or importing. More than 400 firms, about half of which are located in Atlanta, are listed in the directory. It contains both alphabetical and classified listings of the firms, as well as general information on Georgia, transportation facilities, foreign consuls in the state, interpreters and translators in the Atlanta area, and other data of value to world traders. Intended for distribution all over the world, it gives businesses in foreign nations a classified list of products that can be bought from Georgia organizations. Approximately 740 commodities are listed among the things available.

According to estimates of the State Health department, nearly 500,000 native born Georgians have migrated from the state in the last two decades. Health department figures show an excess of births over deaths in the state since 1930

of 795,324, while the net increase in the population of the state during this same period was only 316,494, according to Health department figures. While not complete, these figures do indicate a net migration from the state of serious magnitude. Health department statisticians also point out that the migration was heaviest among young people in the 20 to 40 year age group, and among Negroes. The "natural increase" among Negroes during this period was about 340,000, yet Georgia now has only about 10,000 more Negroes than in 1930.

Emory University ALBERT GRIFFIN

KENTUCKY

A report by the Department of Mines and Minerals for 1949 indicates a decline in coal production as compared with 1948. This decline was 19 per cent for rail mines, 16.5 per cent for truck underground mines and 15 per cent for strip-mine operations. The total output during 1949 for these various types of mines 38.5, 19.5 and 14.5 million tons, respectively. Marked progress was made in the reduction of mine fatalities; 66 deaths occurred in mining operations as compared with 134 the preceding year. This was the result, in part at least, of closer inspection of mines by state and federal governments and of greater emphasis upon safety measures and safety education by both operators and miners. However, a bill providing for needed improvements in mine-safety laws was defeated in the General Assembly.

The Agricultural and Industrial Development Board with a budget of $2.9 million for the next biennium expects to increase its expenditures to develop better markets for Kentucky farm products. It also will spend more money on regional economic surveys and on publicity for the state. Most of the board's funds will go to continue work on topographic mapping of the state and for investigations of water and mineral resources.

A handbook of regional statistics published in Washington by the Joint Committee on the Economic Report shows that population growth in Kentucky since 1900 has failed to keep pace with the nation as a whole. The percentage of the nation's population living in Kentucky in 1949 was 1.9 as compared with 2.8 in 1900. The under-18 group was greater than and the 65-and-over bracket slightly under the national average. Although manufacturing employment in the Southeastern region has increased more rapidly since 1939 than in the nation, the increase in Kentucky was relatively less than in most other states. The 1949 business decline produced a relatively large amount of unemployment in the state. In June, measured by claims for unemployment-insurance benefits, unemployment in Kentucky was 7.6 per cent as compared with 6 per cent for the nation. The report also showed that the gain in income payments in the state in 1948 as compared with both 1940 and 1929 was greater than for the country as a whole.

Funds for highway building have shown a substantial growth during the past year. Including $9.4 million contributed in federal aid the road fund received $55.7 million during the year ended March 31. An increase in the gasoline tax from 5 to 7 cents a gallon, imposed two years ago, accounted for $10 million in revenues the past year as compared with $8 million the year before. These

sums plus an additional $5 million a year are earmarked for use on rural and secondary roads.

The recent session of the General Assembly created a Committee on Functions and Resources of State Government for the purpose of making a comprehensive study of the requirements, needs and responsibilities of the state government. The committee is directed to examine the existing tax structure and to study prospective and potential tax sources available to the state, including programs now in operation in other states. Not more than 25 persons selected from various occupational and civic groups will comprise the committee, which is expected to complete its work by December 31, 1951. It is authorized to call upon the Legislative Research Commission for assistance and also to obtain needed information from any state agency.

University of Kentucky RALPH R. PICKETT

LOUISIANA

The level of business activity in Louisiana continued to rise between November 1949 and February 1950. The seasonally adjusted index of general business activity stood at 204.9 (1937–1939 = 100) in February 1950 as compared to 197.5 in November 1949. Bank debits and freight carloadings showed little change within this period; industrial electric power consumption was up considerably in February over the November level; department store sales in February were below the November level, even after the seasonal adjustment. The outlook for continued prosperity in the several phases of the state's economic life was bright. The value of building contracts in Louisiana in January 1950 was almost double the level for January 1949. Industrial building contracts in January 1950 were approximately five times the amount recorded in the same month of 1949, but the value of contracts for the construction of roads, streets, and bridges was ⅓ below the 1949 level. Building permits issued in major Louisiana cities in February 1950 were valued at five times the amount issued in February 1949. In New Orleans this value was almost ten times as large as a year ago. In the first quarter of 1950, charters were issued to 279 new corporations as compared to 232 during the first quarter of 1949.

A pessimistic spot in Louisiana's economic picture continued to be in its foreign trade statistics. In December 1949, the latest month for which these data were available at the time of this writing, ports within the state handled 10.8 per cent of the nation's foreign trade value; in December 1948, this proportion had been 11.8 per cent. In November 1949, Louisiana ports accounted for 9.9 per cent of the nation's foreign trade as compared to 13.8 per cent of the total in November 1948. Our ports had suffered a decline of 31.0 per cent in their foreign trade value between December 1948 and December 1949; whereas, the nation's trade had decreased only 24.5 per cent. Even though the level of international trade for the entire United States recorded a significant decline in the last months of 1949, Louisiana's trade showed an even larger decrease. Since Louisiana's entire economy heavily depends upon the activities of its ports, this aspect of the state's economic life is important. For the state to continue to progress at a desirable

rate, it will be necessary for the commercial activity of its ports and related facilities at least to keep pace with these activities for the nation as a whole.

Receipts from state taxes continued at a high level. The State Department of Revenue reported tax receipts in the first quarter of this year at $57,916,234. This represented an increase of 6.6 per cent over the first quarter of 1949. Sales taxes accounted for $10,998,441 of the total in 1950 and $11,056,714 in 1949. This decline in sales tax collections amounted to less than 1 per cent.

Louisiana State University W. H. Baughn

MISSISSIPPI

The 1950 biennial session of the Mississippi legislature, which adjourned sine die April 20, appropriated more money than any other in the state's history—$131.2 million from the general fund in addition to diverting one-fifth of the receipts from the sales tax from the latter to county roads and municipalities (estimated at $9–10 million). It was able to maintain a precariously "balanced budget" only by virtue of an estimated surplus for the present biennium of $19 million and new and increased taxes estimated at $16.1 million. It is significant that appropriations for ordinary governmental operations exceed anticipated revenues by some $2 million and that some of the appropriations (e.g. for construction of medical school noted below) are such as will bring about increased operations costs in the future.

Among the more important legislation was the financing of the road plan provided for in a special session preceding the regular session (*Journal*, April 1950). The gasoline tax was increased from 6 cents to 7 cents a gallon (estimated to produce $7.4 million), and earmarked for new construction by the State Highway Commission on the 8,600 miles under its jurisdiction. Funds for the 11,650 mile state aid rural road system were provided by diverting a portion of the general sales tax. To partially repay the general fund for this loss, the tax on beer was increased from 2 to 4 cents a bottle (estimated to produce $4.2 million), and the retail sales tax on automobiles and trucks was increased from 1 to 2 per cent (estimated to yield $2.2 million).

The first positive step to end discriminations against Negroes in the common school system was taken when $6 million of the $7 million increase in common school support (from $35 million to $42 million) was earmarked as follows: for raising salaries of Negro teachers, $3 million; for state aid for new school buildings and facilities for Negroes, $2 million; and for expanding the Negro school transportation system, $1 million.

At present the only medical school in the state is the two year one at the university. Four million dollars was appropriated for the construction of a four year medical school to be operated as a division of the university located in Jackson, and authorization was made for a 350-bed teaching hospital to be paid for by Hinds County ($1.5 million) and the federal government ($3.0 million) and operated as a part of the medical center.

Several bills were passed to relieve the financial distress of cities. Cities of 13,500 population and over (there are only twelve such cities in Mississippi)

were authorized to levy a $\frac{1}{2}$ per cent sales tax subject to its ratification by the voters in a referendum. Receipts from the fire insurance premiums tax was earmarked for distribution to the cities to be used for local fire departments. This is estimated at about $400 thousand. Some 300 municipalities will participate on a population basis in the distribution of a so-called "pork barrel" appropriation of $1.5 million. Cities of more than 2,500 population were authorized to vote independently of the county in which they are located on the legalization of beer. Of long run significance is legislation providing for municipal budgets and annual audits.

Anti-labor legislation vigorously sponsored by the one year old Mississippi Economic Council failed to pass. These bills would have outlawed both union and closed shops, mass picketing, secondary boycotts, and jurisdictional strikes.

Several legislative investigation committees were provided for. One of these, recommended by Governor Wright, is to study the governmental machinery of the state with a view to recommending a reorganization plan. Another, growing out of moves to tax cooperatives and to restrict the equalization functions of the State Tax Commission, is to study various tax exemptions, and assessments and equalization of assessments of industrial properties.

Developing out of charges of communism at the university, the legislature adopted an antisubversives act with prison terms for any attempts to overthrow constitutional government. The act includes demands for loyalty oaths from political candidates and public employees, including school teachers.

The States' Rights controlled legislature "outlawed" the Truman Democrats by means of a bill requiring all political parties in the state to register, but forbidding the use of any party name or any part of it that is already registered by another party. Mississippi States' Rights Democrats are registered under the Democratic name. The bill also provides for court injunctions against anyone claiming to be a party officeholder unless lawfully elected in precinct, county, and district conventions. The Truman faction organized at a state convention. A court test is certain.

University of Mississippi David McKinney

NORTH CAROLINA

In the spring of 1950 the major manufacturing industries of the state are operating on a high plateau of production. In the very important textile industry, the stiffer prices of recent months have been accompanied by well-sustained production. Aided by exceptionally good weather during the winter and early spring, the building boom has reached spectacular proportions. The present volume seems to be doubling that of a year ago, which was high by former standards. This feverish activity might occasion some concern over the possibility of a sudden and drastic decline. For the time being, however, ample funds seem to be available for financing.

In the total symphony of high prosperity the only minor discord to be noticed is in agriculture, where income is running from 10 to 20 per cent below the level of a few years ago. Also, an uncomfortable situation continues to develop in

public finance, where both state and local governments are hard pressed to meet expanding costs and are relying heavily upon new bond issues to finance improvements of one kind or another. The upward pressure of the general inflation continues to support these public undertakings, however, and there is no evident fear in the state of any abrupt end.

Davidson College C. K. BROWN

SOUTH CAROLINA

Du Pont's first orlon mill is being built at Camden, South Carolina. Although orlon has been produced on a small scale in the du Pont plant at Waynesboro, Virginia, the Camden plant will be the first to produce orlon for the commercial market. The location of the plant at Camden was partly due to the national trend towards decentralization of industrial production, but a number of economic factors also influenced its location: (1) the plant will be close to many cloth mills which will furnish a market for orlon yarn, either for weaving orlon cloth or for blending it with cotton or wool; (2) the location is near the main line of the Seaboard Air Line Railway; and (3) this section of the state can furnish an ample supply of desirable labor. The plant is to cost about $15,000,000 which when added to the $7,000,000 spent in research to develop orlon will represent an investment of over $22,000,000. At beginning of operation the mill should furnish employment for about 500 workers.

Orlon, when compared with nylon and other synthetic products, is more like the natural fibers of cotton, wool and silk. Thorough tests have indicated that for many uses it is better than nylon or rayon. It is more resistant to sunlight, smoke, acid and gases.

The raw material for orlon is called "monomeric acrylonitrile." The orlon liquid contains chiefly carbon, hydrogen and nitrogen and is made from such abundant raw materials as coal, limestone, petroleum, natural gases, water and air.

Orlon will be used in making synthetic silks and other light fabrics. Existing textile mills will fabricate it for clothing and for awnings, umbrellas, etc. as well as for various industrial uses.

* * * * *

According to material recently published by the Federal Reserve Bank of Richmond and reports released by the 1947 Census of Manufactures, South Carolina has made an impressive record of industrial progress during the period 1939 to 1947. South Carolina ranked second among the states of the nation in the percentage of increase in value added by manufacture during this period. South Carolina's increase of 370 per cent in value added by manufacture was far above the average of 204 per cent for the country as a whole. If the beginning period is taken back to 1929, the comparison is even more favorable. During the period 1929 to 1947 South Carolina's increase of 399 per cent in value added by manufacture was the highest in the nation. The national average was only 133 per cent. This large percentage increase is accounted for mainly by the textile indus-

try. These textile enterprises were responsible for 72 per cent of the total industrial increase in the state and raised the state's share of value added by manufacturing in the nation's textile industry from 6.1 per cent in 1939 to 10.5 per cent in 1947. As a result the state's industrial structure is marked by a heavier concentration in textile-mill products than was the case in 1939. Other industries contributing to the rapid rate of increase in value added by manufacture in South Carolina were: lumber and lumber products, chemicals, food, stone, clay and glass, furniture and paper.

Industrial growth in South Carolina does not appear to be slowing up at the present time but seems to be increasing at an accelerated rate. Governor J. Strom Thurmond at a recent news conference told reporters that from 1947 through 1949 "more than $333,000,000" in new industry either began operations in the state, was announced for the state, or was established. This meant "38,000 new jobs and increased annual payrolls of more than $90,000,000."

The Citadel FRANK C. TIBBETTS

TENNESSEE

No southeastern state can boast of as broad a base under its industry and agriculture as can Tennessee. The key to the strength lies in diversification. When and if business should turn downward, Tennessee would probably prove to have the greatest depression resistance of any state in the Southeast.

These are not idle words, but past experience and present facts support the conclusion. Tennessee has more than 3,400 manufacturing plants which produce a great variety of products. A total of 935 new businesses were incorporated during 1949 alone. At the close of 1949, more than a quarter of a million workers were employed in industry.

No one industry group employs a large percentage of the total. The largest factory group is the chemical industry which accounts in all for around one-sixth of the total. Even in this industry group, however, there is diversification. Chemical products from aspirin tablets to nylon are produced. The textiles group and the apparel and shoes industrial group are close competitors of the chemical industry as employment outlets.

In agriculture, too, diversification is the story. The more than a million farm residents in the state receive about half their income from livestock and half from crops. Cotton and tobacco are the most important income producing crops. Sale of meat animals and dairy products account for most of the income from the livestock. Tennessee is also gaining in importance as a poultry producing state.

Tennessee, like Gaul, can be divided into three parts, and these three sections are as distinct in their economy as can be. However, in each area diversification is still the key word in the economy. There is balance between industry and agriculture and diversification in both agriculture and industry.

West Tennessee is cotton country with Memphis being the world's largest cotton market. In manufacturing, the central location of this city makes it one of the important commercial and industrial centers in the nation. Middle Tennessee farmers look to livestock as an important product although burley tobacco

is the chief source of farm income. Industrially, there is diversification which includes a long and varied list of products.

East Tennessee is the great manufacturing section of the state. With TVA as a magnet, one-half of the state's total factory employees are in this section. Vacationing is also a big commodity of this area. Tourists in the last three years dropped a total of $552,000,000 in the lap of Tennessee and prospects for 1950 are that they will leave $300,000,000.

In order that these visitors as well as the permanent residents of the state may find good roads on which to travel, approximately $40,000,000 yearly is being spent on Tennessee's 7,700 miles of paved state roads. Of this amount, $10,000,000 comes from federal appropriations, $17,580,000 from the gasoline tax and $8,367,000 from the vehicle tax and other sundry sources.

To aid both commerce and industry, Tennessee has 75 national banks with 44 branches and 221 state banks which have 43 branches. These banks are well distributed throughout the state. These 296 financial institutions have a total capitalization of $136,735,760 with deposits aggregating $1,967,000,000 and resources totaling $2,212,414,662.

With her diversified agriculture and industry and a good balance between the two, with her abundance of capital and her sound financial institutions, with her approximately $3\frac{1}{4}$ million people, with a 1949 income of more than 3 billion dollars, Tennessee's economy rests on sound foundations and the future should bring only continued progress.

George Peabody College For Teachers JAMES E. WARD

VIRGINIA

The outlook for industrial activity in Virginia for the first 6 months of 1950 is considered very satisfactory. The settlement of the coal strike removed the chief obstacle in the way of spring business, and the first quarter has been an active and promising period. Examination of specific industrial barometers indicates good business activity. Building permit figures as reported by the 7 cities for February 1950, as compared with February 1949, showed an increase of approximately 100 per cent, an amazing record. A substantial part of this increase may have been due to the approaching expiration of Title 6, FHA, on March 1. Another factor may have been the GI insurance refunds, enabling GI's to make down payments on homes. Automobile sales have been one of the major causes of business activity in the state. The April *Monthly Review* of the Federal Reserve Bank of Richmond states that "when compared on the basis of current and past relative levels, automobile sales in Virginia and the Carolinas have been better than in the other states of the Fifth District." Among the reasons listed for this Volume are (1) the relative low prices for cars in terms of wages and salaries, (2) ample facilities for financing, and (3) GI insurance payments.

One of our leading industries is paper manufacturing. This industry has been operating at peak levels, and much optimism has prevailed throughout the industry. Retail store sales have shown slight improvement. The percentage comparison of retail furniture sales in January 1950, as compared with January 1949,

was +2. Department store sales for the same period showed a −1 change. Cotton textiles have been operating at about normal levels. Basically, the industry appears in sound position despite weaknesses in certain types of goods.

It is too early to give a good appraisal of agricultural conditions in Virginia. There appear to be favorable and unfavorable factors. Mild weather has enabled the farmers to plow and plant early. However, late freezes may have caused considerable damage to the early fruit and berry crops. Information is not yet available on which to base accurate estimates as to farm production and income.

In conclusion, business conditions in Virginia remain at relatively high level in 1950. There was a spirit of pessimism in the beginning months, but the settlement of the coal strike dispelled this. The backbone of the current high level of activity is the construction industry, automobile sales, and retail trade in certain areas. The employment situation has been somewhat adversely affected due to the 75-cent minimum wage law. Contrary to expectations, this new minimum wage has been one of the major factors in the decrease in employment in Virginia manufacturing establishments. However, the business situation remains strong, and is expected to continue for several months.

University of Richmond HERMAN P. THOMAS

PERSONNEL NOTES

Oliver S. Barnes of the University of South Carolina has resigned to accept a position as marketing consultant in New York City.

J. E. Brakefield, Jr., has been appointed associate professor of economics at Louisiana College.

Richard P. Calhoon of the University of North Carolina will offer courses in personnel management at the University of Michigan during the summer session.

Dudley D. Carroll, organizer and for 31 years dean of the School of Commerce, University of North Carolina, has resigned the deanship. He will continue his instructional duties as professor of economics.

Thomas H. Carroll, II, at present dean of the College of Business, Syracuse University, has been appointed dean of the newly designated School of Business Administration of the University of North Carolina. Dean elect Carroll will assume his duties on September 1.

J. Dewberry Copeland has resigned as head of the Department of Secretarial Science at Mississippi State College for Women.

Carl R. Crites, formerly of the University of Oklahoma, has been appointed assistant professor of marketing and merchandising at Mississippi Southern College.

Cecil Davis has been appointed instructor in economics at Clemson College.

Fannie P. Davis has been appointed assistant professor of secretarial science at Louisiana Polytechnic Institute.

S. M. Derrick, dean of the School of Business Administration, University of South Carolina, was on leave of absence during the spring term occupying a visiting fellowship at the Harvard University Graduate School of Business Administration.

Arch Richard Dooley has been appointed lecturer in business administration at the University of North Carolina.

Alfred L. Edwards has been appointed instructor in economics at Southern University.

Jean F. Emmons has resigned as instructor in business administration at Southern University.

M. C. Fischer has been appointed assistant professor of business administration at The Citadel.

C. W. Fogleman has been appointed associate professor of economics at Louisiana College.

Allen B. Ford has been appointed lecturer in business administration at the School of Business Administration, Emory University.

William R. Frazier has been appointed assistant professor of accounting in Furman University.

J. A. Greene, acting head of the Division of Commerce at Mississippi Southern College, is at the University of Virginia working on his dissertation this summer.

Maurice Alton Hartman of the University of North Carolina has resigned as lecturer in accounting to pursue graduate work at the University of Texas.

Francis L. Hauser, until recently lecturer at Rutgers University and research economist for the Regional Plan Association of New York, is now associate professor of real estate at the University of Florida. By error it was reported in the January issue of this journal that he had been "a member of the New York Metropolitan Planning Commission."

James O. Hopkins has been appointed acting assistant professor of management at Tulane University.

Robert M. James of the University of Illinois has been appointed assistant professor of accounting at the University of North Carolina.

Alvin Jones has resigned as instructor of economics at Southern University.

Gardner Jones has been appointed instructor in accounting at Louisiana State University.

Murray W. Kenna has resigned from Mississippi Southern College, effective in the fall, to resume graduate study.

Albert J. Kunze of The Citadel is on leave of absence to advance his degree in marketing at the Wharton School of Finance and Commerce, University of Pennsylvania.

Donald Ludwig has been appointed instructor in economics at Clemson College.

Dan M. McGill of the University of North Carolina will offer courses in insurance at Stanford University during the summer session.

Hugh Macaulay has been appointed instructor in economics at Clemson College.

George E. Maddox has been appointed instructor in the School of Industrial Management at the Georgia School of Technology, beginning in the fall quarter, 1950.

L. S. Masters of The Citadel is on leave of absence to advance his degree in economics at Duke University.

Albert C. Michaelis is on leave of absence from his position as associate professor of management at Tulane University.

O. C. Miller has resigned his position as associate professor of economics at Louisiana Polytechnic Institute to accept a position at the University of Maryland.

Donald J. Millet, assistant professor at John McNeese Junior College, is taking sabbatical leave this year.

Margaret Newberry has resigned her position as assistant professor of secretarial science at Louisiana Polytechnic Institute to accept a position at Louisiana State University.

Sister Mary Patrick is on leave from her position as instructor in business education at St. Mary's Dominican College to continue her graduate work.

Evelyn Pope has been appointed instructor in business education at St. Mary's Dominican College.

Olin S. Pugh has become instructor in accounting in the University of South Carolina.

J. M. Shortliffe has retired from his position as professor of economics at Louisiana Polytechnic Institute.

C. W. Smith, assistant professor in the Department of Agricultural Economics, Clemson College, has resigned.

James Edwin Smith has been appointed extension instructor in accounting at the Jackson Extension Center of the University of Mississippi.

W. Strother, after 20 years of service, has retired from his position as assistant professor of economics at Louisiana College.

James W. Sweeney has been appointed instructor in the School of Industrial Management at the Georgia Institute of Technology, beginning in the fall quarter, 1950.

James L. Terry has been appointed instructor in business administration at Southern University.

Wallace Trevillian of Clemson College is on leave studying at the University of California.

R. R. Veach has been appointed assistant professor of business administration at The Citadel.

Roy Wood has been promoted to assistant professor of economics at Clemson College.

James I. Young of The Citadel has been granted a year's leave of absence to advance his degree in accounting at the Wharton School of Finance and Commerce, University of Pennsylvania.

J. W. Ziegler has been appointed assistant professor of business administration at The Citadel.

The following names have been added to the membership of the Southern Economic Association:

Robert S. Adden, The Citadel, Charleston, S. C.

Robert W. Bradbury, Department of Economics, University of Florida, Gainesville, Fla.

E. B. Brogen, 1108 Oxford Road, N. E., Atlanta, Ga.

Albert R. Bruckner, Jr., 308 Oxford Place, N. E., Atlanta, Ga.

Charles S. Bullock, Jr., 1020 Grant Building, Atlanta 3, Ga.

Robert H. Cojeen, College of Commerce, University of Kentucky, Lexington, Ky.

Cyril Conroy, 1969 Young, Memphis 4, Tenn.

Eleanor Craig, P. O. Box 43, The Woman's College, University of North Carolina, Greensboro, N. C.

Leonard Davis, 2 Varsity Hall, University of Virginia, Charlottesville, Va.

Sylvester Early, A. M. & N. College, Pine Bluff, Ark.

Brother Justus Earnest, Christian Brothers College, 650 East Parkway South, Memphis 4, Tenn.

Roland Emma, 1010 Gloria Avenue, Durham, N. C.

J. Robert Karp, College of Business Administration, University of Florida, Gainesville, Fla.

Edward J. Kilberg, Box 5246 Duke Station, Durham, N. C.

Hugh H. Macaulay, 204 Ravenel Road, Clemson, S. C.

Phillip D. McCoury, Box 4456 Duke Station, Durham, N. C.

Leroy Munsai, Christian Brothers College, East Parkway South, Memphis 4, Tenn.

Harold W. Nicholson, 11-R Copeley Hill, Charlottesville, Va.

Clyde W. Phelps, University of Southern California, University Park, Los Angeles 7, Calif.

Cecil N. Smith, Giannini Foundation of Agricultural Economics, University of California, Berkeley 4, Calif.

J. D. Snider, School of Commerce and Business Administration, University of Mississippi, University, Miss.

Waldo Sowell, 1217 C. & S. Bank Building, Atlanta, Ga.

Conrad Stewart, Jr., Box 4505, University of Tennessee Post Office, Knoxville, Tenn.

Raymond F. Wallace, School of Business Administration, University of Mississippi, University, Miss.

Alexander I. Warrington, College of Business Administration, Loyola University, New Orleans 18, La.

Jack Wise III, 1608 10th Street, Tuscaloosa, Ala.

Reinhold P. Wolff, P. O. Box 164, University Branch, Coral Gables 46, Fla.

NOTE

President David McCord Wright has appointed the nominating committee for the 1951 officers of the Southern Economic Association. The committee is composed of Dr. Rutledge Vining, University of Virginia (Chairman), Dr. Joseph J. Spengler, Duke University, and Dr. Hubert F. Stepp, College of Charleston. All members of the Association who wish to suggest possible nominees to this committee are invited to do so not later than August 15.

The 20th annual conference of the Southern Economic Association will be held at the International House in New Orleans, Louisiana on November 10–11, 1950. Dr. Gerald E. Warren of Tulane University is in charge of local arrangements.

JOHN B. MCFERRIN, *Secretary-Treasurer*
Southern Economic Association

BOOKS RECEIVED

Recent Developments in the World Economic Situation. By United Nations. New York: Columbia University Press, 1949. Pp. vi, 48. 40¢.

Geo-Economic Regionalism and World Federation. By Maurice Parmelee. New York: Exposition Press, 1949. Pp. xi, 137. $2.50.

The Culture of Industrial Man. By Paul Meadows. Lincoln, Neb.: University of Nebraska Press, 1950. Pp. 216. $3.75.

Readings in Labor Economics. Edited by Francis S. Doody. Cambridge, Mass.: Addison-Wesley Press, 1950. Pp. viii, 481. $3.75.

National and International Measures for Full Employment: Report by a Group of Experts appointed by the Secretary-General. By United Nations. New York: Columbia University Press, 1949. Pp. vi, 104. Paper, 75¢.

Production of New Housing: A Research Monograph on Efficiency in Production. By Leo Grebler. New York: Social Science Research Council, 1950. Pp. ix, 186. Paper, $1.75.

The Business Outlook for 1950. New York: National Industrial Conference Board, 1950. Pp. 55. Paper, 50¢.

Where Does Statism Begin? A Study of Pending Proposals to Expand Government Control of the Economy. By Joseph H. Ball. New York: American Enterprise Association, 1950. Pp. 34. Paper, 50¢

Socialism in America. Washington: Chamber of Commerce of the United States, 1950. Pp. 74. Paper, 50¢.

Studies in Income and Wealth. Vol. 12. New York: National Bureau of Economic Research, 1950. Pp. xiv, 585. $6.00.

Fourth Annual Report for the Year ended 30th September, 1948. By the Social and Economic Planning Council, Union of South Africa. Pretoria: Social and Economic Planning Council, 1949. Pp. 22. Paper, 3s.

Accounting Suggestions for Mississippi Businessmen. By William V. George. University: Bureau of Business Research, University of Mississippi, 1950. Pp. vii, 44.

When Should Wages Be Increased? New York: National Industrial Conference Board, 1950. Pp. 64. Paper, 50¢.

Problems in Labor Relations. By Benjamin M. Selekman and others. New York: McGraw-Hill Book Co., 1950. Pp. ix, 672. $5.50.

The ABC of the Federal Reserve System. By Edwin Walter Kemmerer and Donald L. Kemmerer. 12th ed. New York: Harper & Bros., 1950. Pp. xi, 229. $3.00.

Federal Reserve Policy-Making: A Study in Government Economic Policy Formation. By G. L. Bach. New York: Alfred A. Knopf, 1950. Pp. xvii, 282, v. $3.00.

Practical Financial Statement Analysis. By Roy A. Foulke. 2nd ed. New York: McGraw-Hill Book Co., 1950. Pp. xx, 713. $5.50.

History of the Bank of Ireland. By F. G. Hall. Oxford: B. H. Blackwell, 1949. Pp. viii, 429. 18s.

Monetary Policy and Economic Prosperity: Testimony of Dr. W. W. Stewart before the Macmillan Committee, July 3–4, 1930. Introduction by Donald B. Woodward. New York: American Enterprise Association, 1950. Pp. xii, 51. 50¢.

The Story of the American Automobile: Highlights and Sidelights. By Rudolph E. Anderson. Washington: Public Affairs Press, 1950. Pp. vii, 301. $3.75.

Readings in Economics. Edited by K. William Kapp and Lore L. Kapp. New York: Barnes & Noble, 1949. Pp. vi, 444. $2.75.

Administration: The Art and Science of Organization and Management. By Albert Lepawsky. New York: Alfred A. Knopf, 1949. Pp. xii, 669, xxi. $6.50.

The Dynamics of Business Cycles: A Study in Economic Fluctuations. By Jan Tinbergen and J. J. Polak. Chicago: University of Chicago Press, 1950. Pp. x, 366. $5.00.

Economic Survey of Latin America 1948. By United Nations. New York: Columbia University Press, 1949. Pp. xx, 279. Paper, $2.00.

Relative Prices of Exports and Imports of Under-developed Countries: A Study of Post-war Terms of Trade Between Under-developed and Industrialized Countries. By United Nations. New York: Columbia University Press, 1949. Pp. viii, 156. Paper, $1.00.

Economic Bulletin for Europe, Third Quarter, 1949. By United Nations. New York: Columbia University Press, 1950. Pp. 86. Paper, 50¢.

European Steel Trends in the Setting of the World Market. By United Nations. New York: Columbia University Press, 1949. Pp. vii, 148. Paper, $1.50.

Basic Economics: A Macro- & Micro-Analysis. By George Heberton Evans, Jr. New York: Alfred A. Knopf, 1950. Pp. xix, 381, xiii. $4.50.

The Balance of International Payments of the United States, 1946–1948. By United States Department of Commerce. Washington: Government Printing Office, 1950. Pp. viii, 275. Paper, 55¢.

Economic Doctrines. By Frank Amandus Neff. 2nd ed. New York: McGraw-Hill Book Co., 1950. Pp. xii, 532. $4.50.

Balance of Interregional Payments of New England. By Penelope C. Hartland. Providence, R. I.: Brown University, 1950. Pp. vii, 125.

The Keys to Prosperity. By Willford I. King. New York: Constitution and Free Enterprise Foundation, 1948. Pp. xvii, 242. $4.00.

The Economics of Pulp and Paper. By John A. Guthrie. Pullman: State College of Washington Press, 1950. Pp. xi, 194. Cloth $2.50. Paper, $1.50.

Social Accounts and the Business Enterprise Sector of the National Economy. New York: Cambridge University Press, 1949. Pp. viii, 100. Paper, $2.50.

Federal Tax Reform. By Henry C. Simons. Chicago: University of Chicago Press, 1950. Pp. x, 161. $3.50.

The Economics of Agriculture. By R. L. Cohen. Rev. ed. New York: Pitman Publishing Corp., 1950. Pp. xvi, 216. $1.75.

Distributive Trading: An Economic Analysis. By Margaret Hall. New York: Longmans, Green and Co., 1950. Pp. vii, 203. $1.60.

Statistics for Economists. By R. G. D. Allen. New York: Longmans, Green and Co., 1950. Pp. vii, 216. $1.60.

An Outline of Money. By Geoffrey Crowther. Rev. ed. New York: Macmillan Co., 1950. Pp. xiii, 417. $2.50.

The National Debt in War and Transition. By Henry C. Murphy. New York: McGraw-Hill Book Co., 1950. Pp. ix, 295. $3.50.

Economics. By John Ise. Rev. ed. New York: Harper & Bros., 1950. Pp. x, 872. $5.00.

Capital Imports and the American Balance of Payments, 1934–39: A Study in Abnormal International Capital Transfers. By Arthur I. Bloomfield. Chicago: University of Chicago Press, 1950. Pp. xvii, 340. $6.00.

Capitalism and French Glassmaking, 1640–1789. By Warren C. Scoville. Berkeley: University of California Press, 1950. Pp. xi, 210. Paper, $2.50.

Morgenthau, the New Deal and Silver: A Story of Pressure Politics. By Allan Seymour Everest. New York: King's Crown Press, 1950. Pp. viii, 209. $3.50.

Effects of Depreciation Policy. By J. Frank Gaston. New York: National Industrial Conference Board, 1950. Pp. 63. Paper, 50¢.

Management Behavior and Foreman Attitude: A Case Study. By David N. Ulrich and others. Boston: Graduate School of Business Administration, Harvard University, 1950. Pp. vii, 56. Paper, 75¢.

Masterpieces in Economics. Compiled by Henry George Hendricks. El Paso, Tex.: Guynes Printing Co., 1950. Pp. 102. Paper, $1.25.

Citrus Fruit Rates: Development and Economic Appraisal. By Truman C. Bigham and Merrill J. Roberts. Gainesville: University of Florida Press, 1950. Pp. viii, 134. $3.25.

From the Wagner Act to Taft-Hartley: A Study of National Labor Policy and Labor Relations. By Harry A. Millis and Emily Clark Brown. Chicago: University of Chicago Press, 1950. Pp. x, 724. $8.50.

Salesmanship: Practices and Problems. By Bertrand R. Canfield. 2nd ed. New York: McGraw-Hill Book Co., 1950. Pp. xiii, 563. $4.25.

Introduction to Social Science: A Survey of Social Problems. Vol. I. By George C. Atteberry and others. Rev. ed. New York: Macmillan Co., 1950. Pp. xxv, 819. $5.00.

Five Lectures on Economic Problems. By George J. Stigler. New York: Macmillan Co., 1950. Pp. 65. $1.75.

The American Economic System. By Frank D. Newbury. New York: McGraw-Hill Book Co., 1950. Pp. xii, 558. $5.00.

Catalogues and Counters: A History of Sears, Roebuck and Company. By Boris Emmett and John E. Jeuck. Chicago: University of Chicago Press, 1950. Pp. xix, 788. $7.50.

Preparation and Certification of Financial Statements. By B. Bernard Greidinger. New York: Ronald Press Co., 1950. Pp. vii, 408. $6.00.

Creation of Income by Taxation. By Joshua C. Hubbard. Cambridge, Mass.: Harvard University Press, 1950. Pp. xi, 239. $4.00.

The Economy of Greenville, Tennessee: A Study of the Information and Data Related to the Greeneville, Tennessee, Economic Community. By J. Fred Holly. Knoxville: Bureau of Research, University of Tennessee, 1950. Pp. 62.

America and Western Europe. By J. K. Galbraith. New York: Public Affairs Committee, 1950. Pp. 32. Paper, 20¢.

National Income: A Cross Section View. By Paul Boschan. New York: Augustus M. Kelley, 1950. Pp. 32. Paper, $1.00.

Pensions for Employees. New York: Chamber of Commerce of the State of New York, 1950. Pp. 91. Paper, $1.00.

Movements for Economic Reform. By Philip Taft. New York: Rinehart & Co., 1950. Pp. xiv, 614. $5.00.

Office Methods, Systems, and Procedures. By Irvin A. Herrmann. New York: Ronald Press Co., 1950. Pp. vii, 539. $7.00.

Public Finance and Fiscal Policy: An Analysis of Government Spending, Revenue, and Debt. By Richard W. Lindholm. New York: Pitman Publishing Corp., 1950. Pp. xxvii, 732. $5.50.

Textbook of Office Management. By William H. Leffingwell and Edwin M. Robinson. 3rd ed. New York: McGraw-Hill Book Co., 1950. Pp. xiv, 649. $5.00.

Modern Economic Problems. By Myron H. Umbreit and others. New York: McGraw-Hill Book Co., 1950. Pp. xvii, 642. $4.75.

Introduction to Labor Economics. By Orme W. Phelps. New York: McGraw-Hill Book Co., 1950. Pp. xvii, 554. $4.50.

Economics: With Applications to Agriculture. By Edwin F. Dummeier and others. 3rd ed. New York: McGraw-Hill Book Co., 1950. Pp. xv, 718. $5.00.

Le système monétaire de Bretton Woods et les grands problèmes de l'après-guerre. By Robert Mossé. Paris: Librairie de Recueil Sirey, 1948. Pp. 153.

Human Ecology: A Theory of Community Structure. By Amos H. Hawley. New York: Ronald Press Co., 1950. Pp. xvi, 456. $5.00.

Palmer and Bell's Accountants' Working Papers. Revised by Ralph S. Johns. 3rd ed. New York: Ronald Press Co., 1950. Pp. xv, 488. $6.00.

Industrial Management in the USSR. By A. Arakelian. Translated by Ellsworth L. Raymond. Washington: Public Affairs Press, 1950. Pp. 168. Paper, $3.00.

American Labor Unions: Organization, Aims, and Power. Compiled by Herbert L. Marx, Jr. New York: H. W. Wilson Co., 1950. Pp. 240. $1.75.

The Changing Forest Situation: A Study of Conservation on State and Private Forest Lands. By Frank Sweeney. New York: American Enterprise Association, 1950. Pp. 52. Paper, 50¢.

Natural Regions of the U.S.S.R. By L. S. Berg. Translated by Olga Adler Titelbaum. New York: Macmillan Co., 1950. Pp. xxxi, 436. $10.00.

Handbook of Employee Selection. By Roy M. Dorcus and Margaret Hubbard Jones. New York: McGraw-Hill Book Co., 1950. Pp. xv, 349. $4.50.

Sales Management. By Harold H. Maynard and Herman C. Nolen. Rev. ed. New York: Ronald Press Co., 1950. Pp. ix, 667. $5.00.

Tax Structure of the State of Washington. By Maurice W. Lee. Pullman: State College of Washington Press, 1950. Pp. viii, 134. Cloth, $2.50. Paper, 50¢.

Steadier Jobs: An Action Program for Management. Prepared by the Committee on Social Security. Washington: Chamber of Commerce of the United States, 1950. Pp. 18. Paper, 25¢.

Supply of Building Materials in Canada: Outlook for 1950. Ottawa: Department of Trade and Commerce, 1950. Pp. 20.

Private and Public Investment in Canada: Outlook for 1950. Ottawa: Department of Trade and Commerce, 1950. Pp. 46.

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